

# **RIN Response Attachment R2**

## **Historical RIN Basis of Preparation**

**2019-24**

**April 2018**



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## 1. Worksheet 2.5 - Connections

### 1.1.1 Compliance with requirements of the notice

Worksheet 2.5 has been completed in a manner consistent with the RIN. Specifically:

- > The data provided in worksheet 2.5 reconciles with internal planning models used in generating our proposed Revenue Requirements;
- > The expenditure data provided includes customer contributions;
- > The data provided is for regulated, non-contestable services only, and excludes any connections related to negotiated or contestable services;
- > The definition of simple / complex connections used is consistent with the definitions provided in Appendix F of the RIN;
- > Connections data provided is mutually exclusive and collectively exhaustive for regulated services as required;
- > The MVA added for distribution substations is provided in Table 2.5.1 (not audited) and is the sum of nameplate ratings.

### 1.1.2 Source of information

Financials extracts were taken from Peoplesoft General Ledger.

Non-Financial extracts were taken from Energy, Smallworld, WASP and the Network Planning Data base, as shown below:

Energy	Premise with Creation Date Premise with Residential/Commercial flag All embedded generation sites with Application Date and Installation Date
GIS Smallworld	Premises with Underground/Overhead flag Return premises supplied by substations affected by projects reported from WASP
WASP	Substations with Underground/Overhead flag List of projects where Essential Energy has financially contributed during the reporting period. Extract included kVA, number of transformers, total Essential Energy cost for the project and project completion date. List of projects partially funded by a customer during the reporting period

#### Network Planning Database

List of customer initiated projects.  
Estimated unit costs for transformers based on OH/UG and kVA. Costing included estimated man hours.

#### Network Planning Database

All embedded generation projects completed by Essential Energy in the

### 1.1.3 Methodology and Assumptions

#### Capital Contributions

- > Extract from Peoplesoft General Ledger;
- > Used Capital Contributions income as a proxy for Connections expenditure;
- > Categorised each project with reference to "Project Name" into "Connection Subcategory" and "Connection Classification", based on the project name.

#### Gifted Assets

- > Extract from Peoplesoft General Ledger;

- > Reconciled Gifted Asset Registers from Contestable Works Management System ('CWMS') to Peoplesoft General Ledger for Financial Year 2012 to 2017;
- > Utilised 'Asset Type' field from the CWMS to classify each project into "Connection Subcategory" and "Connection Classification"
- > Financial Year 2009 to 2011 did not have detailed project information available. Hence apportioned across "Connection Subcategory" and "Connection Classification" using Financial Year 2012.

## Non-financials

The main assumptions are:

- > Essential Energy has no Subdivision assets based on the definition "is intended to capture expenditure in connecting un-reticulated lots or areas."
- > The ratio of known projects is the same as the ratio of unknown projects.
- > The ratio of known embedded generation is the same as the ratio of unknown embedded generation.
- > Embedded generation with no installed date were installed in the same financial year as the application date.

Where practical, the determination of Underground/Overhead was derived from GIS Smallworld, otherwise WASP was used.

## Number of Connections

Total new connections were determined by the number of premises with a creation date in the financial period.

## Expenditure

This is based on the standard methodology adopted for all finance expenditure data in the Category Analysis RIN. Refer to section 3 *Financial Data* for the overall Basis of Preparation on finance data prepared for multiple tables in the RIN. The specific methodology and assumptions made for this table are also outlined below.

## Overhead/Underground Totals

The Residential/Commercial flag was derived from Energy.

## Distribution Substations Installed – for Residential/Commercial and Subdivision Connections

The list of projects from the planning database combined with the customer funded projects from WASP make up the considered projects for these figures. For these projects WASP is used to determine if Essential Energy or an external party paid for the transformer.

For each project, a ratio of Residential to Commercial premises affected by the project was assigned. This ratio was then used to determine the portion of the kVA, number of transformers and costs that would be reported as Residential and Commercial. Total cost is an estimate of the cost to install the transformers plus the estimated man hours to install.

For all projects where the Commercial/Residential status could not be determined, these were deemed "Unknown". The Unknowns were distributed across all categories based on the ratio of the known projects.

## Augmentation HV/LV

The list of projects from the planning database combined with the customer funded projects from WASP make up the considered projects for these figures.

For each project, GIS Smallworld provided the amount of network added or reconducted as a part of the project. A ratio of Residential to Commercial premises affected by the project was also assigned. This ratio was then used to determine the portion of the line length that would be classified as Residential and Commercial.

For all projects where the Commercial/Residential status could not be determined, these were deemed "Unknown". The Unknowns were distributed across all categories based on the ratio of the known projects.

## Embedded Generation

Energy embedded generation data was used as the basis for this data. Where the installation date was blank, the application date was used.

#### 1.1.4 Use of estimated information

Essential Energy has used estimated information for deriving the units of embedded generation where residential/commercial could not be determined.

Financial information is materially dependent on information from the PeopleSoft financial system. As a result this information is treated as actual information.

#### 1.1.5 Material accounting policy changes

Essential Energy has not undertaken any material changes in accounting policies that would impact the data in this table.

#### 1.1.6 Reliability of information

##### Financial

Given the underlying assumptions and use of estimated data in this table, caution should be exercised when using it for benchmarking or decision making purposes.

##### Non Financial

The data used for determining the overall quantities has been provided previously and has been categorised based on assumptions and estimates.

The data used for determining the quantities has come from three major Essential Energy data repositories where the data is considered reasonably reliable. There were a number of projects that did not exist in GIS Smallworld which had to be averaged, based on assumptions and estimates.

This information should be used with caution for benchmarking or decision making purposes.

The assumptions were made in the best effort to optimise the information at Essential Energy's disposal without compromising the reliability of the figures.

## 2. Worksheet 2.6.4 – Non-Network ICT Capital Expenditure

### 2.1.1 Compliance with requirements of the notice

Capital expenses recorded against initiatives involved in the delivery of ICT services to Essential Energy's Standard Control Services have been categorised and recorded in the supplied template.

### 2.1.2 Source of information

Information used in compiling this table came from two sources:

- > Total Regulated Network/ Standard Control ICT Capex aligns with the totals reported in the Annual RINs from 2008-9 to 2012-13, and with the totals reported in the Category Analysis RINs from 2013-14 to 2016-17.
- > The detailed split by purpose, came from analysing data from our Peoplesoft financial system, and splitting the totals from the Annual/Category Analysis RINs on this basis.

### 2.1.3 Methodology and Assumptions

We have categorised each of the ICT initiatives using the interpretation shown in the table below.

AER ICT asset investment category	AER definition	Characteristics of initiatives within the Essential Energy ICT program
<b>ICT Asset Extension</b>	"The extension of existing ICT assets to broaden its functionality."	<ul style="list-style-type: none"> <li>ICT enhancements, primarily to improve the functionality of existing solutions or to maximise their effectiveness for the business.</li> <li>Selected extensions have been forecast individually. There is also a small steady amount allocated per annum for other minor extensions subject to business need.</li> </ul>
<b>ICT Asset Remediation</b>	"The correction or optimisation of the performance of existing ICT assets that are not performing to the required service performance requirement."	<ul style="list-style-type: none"> <li>ICT repairs or changes to rectify operational issues.</li> <li>Investment is forecast at a small steady amount per annum for remediation subject to business need.</li> </ul>
<b>ICT Asset Replacement</b>	"The replacement of an existing ICT asset with its modern equivalent where the asset has reached the end of its economic life. This capex has a primary driver of replacement if the factor determining the expenditure is the existing ICT asset has an inability to efficiently maintain its service performance requirement."	<ul style="list-style-type: none"> <li>Cyclic renewals and significant upgrades to ensure the ongoing supportability and sustainability of ICT solutions.</li> <li>Investments are forecast based on ICT Asset Lifecycle Management practices</li> </ul>
<b>ICT Capability Growth</b>	"The acquisition, development and implementation of new ICT assets to meet a business purpose or capacity requirement."	<ul style="list-style-type: none"> <li>Business transformation or improvement initiatives which involve deployment on new ICT business systems and/or infrastructure.</li> <li>Investments are forecast to support the Essential Energy business strategy over the regulatory period.</li> <li>A small annual amount is included for other minor capability growth, such as may result from new mandatory regulated obligations. Where the impact of a new obligation exceeds this amount, treatment as a pass-through event may be proposed.</li> </ul>

### 2.1.4 Use of estimated information

The total ICT capex reported aligns with the previously submitted Annual or Category Analysis RINs (Table 2.6.1 in the CA RINs), but the detailed splits are based on pro rata splits determined by assessing total business ICT Capital Expenditure obtained from Peoplesoft.

On this basis the detailed splits of ICT Capital Expenditure by purpose in Table 2.6.4 should be treated as estimated information.

Most of the variances between the total ICT Capex reported in the Annual RINs and the Peoplesoft data can be attributed to one of two reasons:

- > ICT Capex reported in the RINs relates to either Regulated Network (until 2012-13) or Standard Control Services, not all of business;
- > In early years the rules and definitions governing the split between System and Non-System capex was not as clearly defined as it is now. Hence some expenditure on items such as SCADA may have been attributed to System in some years, and Non-System in more recent years.

### **2.1.5 Material accounting policy changes**

Essential Energy have/ have not undertaken any material changes in accounting policies.

### **2.1.6 Reliability of information**

Essential Energy advises that the information provided in this section should be treated as estimated, for the reasons explained in the Use of estimated Information section above.

## **3. Worksheet 2.10 – Overheads**

### **3.1.1 Compliance with Requirements of the Notice**

The following sections outline how Essential Energy has ensured that the information provided is consistent with the requirements of the Notice.

Essential Energy capitalises a component of its overhead expenditure. Capitalisation of overheads is governed by CEOP2416 – Operational Procedure: Asset Capitalisation. There have been no material changes in capitalisation policy from the prior year.

### **3.1.2 Source of Information**

The data in this table is based on the standard methodology adopted for all finance expenditure data in the Category Analysis RIN. The specific methodology and assumptions made for this table are also outlined below.

### **3.1.3 Methodology & Assumptions**

- > PeopleSoft dataset of operating expenditure has been extracted and reconciled to relevant management accounts to ensure its validity.
- > Overheads were split into the required categories using PeopleSoft project type data broken down into resource categories.
- > Aggregate Overheads were allocated across the mandatory categories disclosed within the table proportionately based on the Total Network Overhead and Total Corporate Overhead expenditure sourced from PeopleSoft project type data.

### **3.1.4 Use of Estimated Information**

To separate expenditure across RIN categories, submitted information is materially dependent on information from the PeopleSoft financial system. As a result this information is treated as actual information.

### **3.1.5 Reliability of Information**

Given the underlying assumptions and use of estimated data in this table, caution should be exercised when using it for benchmarking or decision-making purposes.



## 4. Table 2.11.3 Opex and Capex – Labour/Non-Labour Expenditure Split

### 4.1.1 Compliance with Requirements of the Notice

The following sections outline how Essential Energy has complied with the requirements of the Notice.

### 4.1.2 Source of Information

**In-house labour** related data has been sourced from:

- > Schedule 2.11 of the Annual Reporting RINs for 2014-15, 2015-16 and 2016-17
- > Schedule 2.11 of the Category Analysis RIN for 2013-14
- > Monthly FTE Reports for June 2013 and June 2014
- > Monthly Contractor Agency Reports for June 2013 and June 2014
- > Redundancy Account information from the General Ledger

**Labour expenditure outsourced to unrelated parties** has been sourced from:

- > Project Expenditure - Contractor expenditure sourced from CA RIN workpapers based on PeopleSoft project type broken down into resource category "CON"
- > Non Project Expenditure – Data sourced from PeopleSoft, filtering on Account Level 8 node, applying Standard Control Services portion based on CAM methodology

**Uncontrollable non-labour related data** has been sourced from:

- General Ledger

### 4.1.3 Methodology & Assumptions

**In-house labour expenditure**

- > The data for 2014-15, 2015-16 and 2016-17 was taken directly from the Annual Reporting RINs for these years. The BOPs for each of these years explain the underlying methodology and assumptions.
- > The data for 2013-14 was sourced directly from Schedule 2.11 of the Category Analysis RIN for 2013-14. The BOP accompanying this 2013-14 schedule explains the underlying methodology and assumptions. The opex and capex split for 2013-14 was derived from the average capex and opex split for the three years 2014-15, 2015-16 and 2016-17.
- > For 2012-13 there is no Category Analysis RIN data for Schedule 2.11 as this was not a reporting requirement at this point in time. In order to estimate the labour data for this year, the labour cost from the 2013-14 Category Analysis RIN was used as the basis. The cost per In-House Labour employee and Labour Hire worker was calculated for 2013-14. For in-house Labour employees the cost per employee for 2012-13 was estimated with reference to the year on year labour rate movement. The labour hire rate for 2012-13 was calculated by reference to the 2013-14 rate. The costs per employee and labour hire workers were multiplied by the number of in-house and labour hire workers in 2012/13. The opex and capex split for 2012-13 was derived from the average capex and opex split for the three years 2014-15, 2015-16 and 2016-17.
- > Standard Control redundancy costs were added into labour costs as they had previously been excluded from the Annual Reporting RINS for 2014-15, 2015-16, 2016-17 and the Category Analysis RIN for 2013-14.

### 4.1.4 Labour expenditure outsourced to unrelated parties

**Project expenditure**

- > Assumed project contractor spend adopts same labour/non labour profile as EE
- > Excluded Vegetation expenditure from the labour/non labour % splits, with large fluctuations in Veg spend having a significant impact on the % to be applied to project Contractor expenditure.

## Non-project expenditure

- > Support (non project and support projects) expenditure based on Account Level 8 node, with the following accounts considered 100% contractor spend. This relates to Standard Control portion only:
  - Maintenance and Service Contracts
  - Professional Services
  - Other Contractors
  - Telecommunications Maintenance
- > eTech contribute large portion of support contractor spend. As a result, eTech Labour/Non-Labour splits have been applied to total Contractor spend.
- > FY13 and FY14 Standard Control Services portion of support costs based on IT CAM %

## Non-labour expenditure

- > Controllable non-labour opex was derived by deducting labour expenditure in this table from total opex.
- > The uncontrollable non-labour opex relating to standard control activities was comprised of council rates, land tax and certain State and Federal government licences. Council rates and land tax costs were extracted from annual regulatory trial balances by filtering on the relevant general ledger account codes. Relevant licence costs were obtained by generating PeopleSoft transaction enquiry reports and PeopleSoft Accounts Payable reports, both using the parameter of the Licences general ledger account code. Costs appearing to be incurred with government bodies in those reports were further investigated, to determine whether they met the definition of “uncontrollable”.

### 4.1.5 Use of Estimated Information

#### In-house labour expenditure

The information in this table for the years 2013-14, 2014-15, 2015-16 and 2017-18 is based on actual data but with estimated splits applied to derive the information required in Table 2.11.3. The information in this table for 2012-13 is based on estimated data with estimated splits applied to derive the information required in Table 2.11.3.

#### Labour expenditure outsourced to unrelated parties

These costs are an estimate of labour costs relating to services provided by third parties. Since third party invoices do not always clearly identify the labour costs elements this is an estimate.

#### Controllable non-labour expenditure and Uncontrollable non-labour expenditure

The information in this table is considered based on actual data.

Further details regarding estimation are described in the Methodology & Assumptions section above.

### 4.1.6 Material accounting policy changes

Essential Energy has not undertaken any material changes in accounting policies.

### 4.1.7 Reliability of Information

**In-house labour expenditure:** Given the underlying assumptions and estimates made in this data, caution should be applied if using this data for benchmarking or decision-making purposes.

**Labour expenditure outsourced to unrelated parties:** These costs are based on estimates of third party and should be considered as such.

**Controllable non-labour expenditure and Uncontrollable non-labour expenditure:** The information provided in this section is considered reliable.

## 5. 2.16 Standard Control Services – Opex by Driver

### 5.1 2.16.1 Standard Control Services – Opex by Category

#### 5.1.1 Compliance with requirements of the notice

Essential Energy has:

##### Historical data

- > Reconciled the data in this table to the Category Analysis and Annual Reporting RIN for the relevant year.
- > Separated out category specific data– NB. Confidentiality claim for this data. A request for confidentiality has been included.

##### Forecast data

- > Stepped out the major increases and decreases in opex
- > Explained the quantum of any non-recurrent opex
- > Identified opex attributable to output growth
- > Identified opex related to real price changes
- > Identified opex savings arising from productivity changes
- > Identified category specific opex and reconciled the amounts to table 2.17.5
- > Reconciled forecast data to the Reset RIN tables and regulatory proposal

#### 5.1.2 Source of information

##### Historical data

- > This data was sourced from the Annual Reporting RIN for the relevant year and cross checked with the Category Analysis RIN data.
- > Redundancy data was sourced from the payroll system and the Standard Control Services opex portion calculated using the approved Cost Allocation Methodology (CAM) and associated allocation rates for each year.

#### 5.1.3 Methodology and Assumptions

##### Historical data

- > Redundancy payments – category specific opex line
  - The total amount of redundancies was taken from the payroll system on a department by department basis.
  - The relevant CAM rate for each year for each department was then applied to determine the Standard Control portion.
  - This portion was then split between opex and capex using the relevant allocation rates for each year.
  - The opex portion was then noted on the category specific line.
  - The amount of redundancies apportioned to opex was then subtracted from the total reported standard control services opex amount for each year to determine the 'underlying base year total opex, excluding category specific opex' line.
- > The total opex line was reconciled to the relevant tables in the Annual Reporting RIN and/or Category Analysis RIN and/or Reset RIN as required.

#### 5.1.4 Use of estimated information

The data is considered to be materially correct

#### 5.1.5 Material accounting policy changes

Essential Energy has not undertaken any material changes in accounting policies that would impact the data in this table.

#### 5.1.6 Reliability of information

Essential Energy advises that the actual and forecast information provided in this section is materially reliable.

### 5.2 2.16.2 Standard Control Services – Opex by Category

#### 5.2.1 Compliance with requirements of the notice

Essential Energy has

- > Shown standard control services opex by the categories requested;
- > Reconciled historical data to the Category Analysis and Annual Reporting RIN for the relevant year;
- > Reconciled forecast data to the Reset RIN tables and regulatory proposal.

#### 5.2.2 Source of information

##### Historical data

- > Historical data was sourced from 'Table 2.1.2 – Standard Control Services Opex' on the '2.1 Expenditure Summary' sheet of the relevant year's Category Analysis workbook.

##### Forecast data

- > Forecast data has been sourced from the business build-up of costs underlying the regulatory proposal.

#### 5.2.3 Methodology and Assumptions

##### Historical data

- > This data has been taken from 'Table 2.1.12 – Standard Control Services Opex' from the relevant year's Category Analysis RIN
  - For both 2015-16 and 2016-17, the 'balancing item' shown in the Category Analysis RIN table was equal to the amount of non-network opex.
  - For 2014-15, the balancing item was smaller than the amount of non-network opex
  - The balancing item comprises overheads as these are captured as non-network opex in the accounting system, yet also separated out within Table 2.1.12 of the Category Analysis RIN.
  - Given Table 2.16.2 does not contain a balancing item line, the balancing item amount has been subtracted from the non-network opex line to ensure the total opex line reconciles between the Category Analysis table and the Reset RIN table.

#### Forecast data

- > Forecast data has been sourced from the business build-up of costs underlying the regulatory proposal.
  - This model takes direct cost inputs by cost category, applies overheads in line with the approved CAM and reports fully loaded costs.
  - The model contains various tables to separately identify the numerous cost splits required for the Reset. This includes the separation of direct costs by the opex categories required for Table 2.16.2 and the amount of both corporate and network overheads applied to opex.

### 5.2.4 Use of estimated information

#### Forecast data

- > All forecast data is estimated and has been based on best estimates available.

### 5.2.5 Material accounting policy changes

#### Historical data

Essential Energy change to its overhead capitalisation policy has resulted in a shift of some overheads shifting between the network and corporate overhead categories. These amounts have been reconciled to the back cast data requested by the AER as part of the Reset process.

#### Forecast data

Essential Energy has not undertaken any changes in accounting policies that would impact forecast data.

#### Reliability of information

Essential Energy advises that the actual and forecast information provided in this section is materially reliable.

## 6. Worksheet 6.1 – Telephone Answering

### 6.1.1 Compliance with requirements of the notice

The data has been reporting in accordance with the definitions provided by the AER, Whilst Essential Energy does have other phone lines, data within this section was from the fault line only.

### 6.1.2 Source of information

Two separate telephony systems were used to source and compile this data due to the implementation of new telephony in January 2014.

Symposium was used to collate data from 1 July 2012 to 10 January 2014. Note that not all of the daily data from Symposium is able to be reproduced as historical reporting within the tool is not available at this level beyond a rolling 12 months period.

Interactive Intelligence Call Management System was used to collect the required data from 11 January 2014 to 30 June 2017. Interactive Intelligence retains details of each individual call throughout the reporting period with the functionality to also provide statistics about the received calls for a nominated period of time.

### **6.1.3 Methodology and Assumptions**

Essential Energy has a simple process for extracting the required data from the call management systems by running work group and skillset performance reports from their telephony clients. The reports generated include the total number of calls, number answered after the threshold and the total number of abandoned calls.

### **6.1.4 Use of estimated information**

Essential Energy was not able measure the number of abandoned calls which were abandoned within 30 seconds from 1/7/12 to 10/1/14 due to Symposium limitations and therefore adopted the AER allowed estimate that 20% of abandoned calls are done so within the threshold. The remaining period was compiled as per AER guidelines via Interactive Intelligence Interaction Supervisor.

## **7. Table 7.4.1 – Total Unregulated Revenue Earned with Shared Assets**

### **7.1.1 Compliance with Requirements of the Notice**

The following sections outline how Essential Energy has ensured that the information provided is consistent with the requirements of the Notice.

### **7.1.2 Source of Information**

Unregulated Revenue Earned with shared assets data has been sourced from:

- > 2014 Reset RIN for 2009-10 to 2013-14;
- > PeopleSoft Financials from 2014-15 to 2017-18
- > Cognos Budgeting and Forecasting (B&F) system for 2018-19

### **7.1.3 Methodology & Assumptions**

- > The data for 2009-10 to 2013-14 was taken directly from the 2014 Reset RIN. The 2014 Reset RIN BoP will explain the underlying methodology and assumptions.
- > The data for 2014-15 to 2017-18 was sourced directly from PeopleSoft. The classification of revenue was based on department and account combinations, being:
  - NBN Income captured in department 173 and GL accounts 11240 (Sundry Income), 10620 (OOI Misc Income) and 11840 (Access Permit Fees);
  - Fibre Optic Income captured in department 253 and GL accounts 11240 (Sundry Income), 10620 (OOI Misc Income) and 11890 (Access Fees); and
  - Rental Income captured in department 426 up to 2016-17. From 2017-18, Radio Site Rentals is captured in department 901 and Rental Properties through department 426. GL Account 10400 (OOI Rental Income).
- > 2018-19 forecast was based on the FY18 Q2 Forecast, and was sourced from the Budgeting and Forecast (B&F) system. The same assumptions used for actuals was used to categorise the forecast revenue.

- > Forecast period 2019-20 to 2023-24 used 2018-19 as base, uplifted for CPI (assumed 2.5%), except for Fibre Optic Income which was based on information provided by SME's.

#### **7.1.4 Use of Estimated Information**

The information in this table for the years 2009-10 to 2013-14 was based on the 2014 Reset RIN. 2014-15 to 2017-18 is based on data from PeopleSoft, however assumptions have been made to categorise revenue into the unregulated services. Subsequent years are based on best estimates of the likely revenue for each service.

#### **7.1.5 Material accounting policy changes**

Essential Energy has not undertaken any material changes in accounting policies.

#### **7.1.6 Reliability of Information**

Given the underlying assumptions and estimates made in this data, caution should be applied if using this data for benchmarking or decision making purposes.

## **8. Worksheet 7.5 – EBSS**

### **8.1 7.5.1.1 and 7.5.1.2 Opex Allowance applicable to EBSS (EBSS target) and Actual and estimated opex applicable to EBSS**

The EBSS did not apply to Essential Energy for the 2014-15 to 2018-19 regulatory period. As a result, these tables are not applicable to Essential Energy and have been completed with n/a where appropriate.

### **8.2 7.5.2 Proposed forecast opex for the EBSS for the forthcoming regulatory control period**

#### **8.2.1 Compliance with requirements of the notice**

- > The amount of forecast controllable opex has been included in this table
- > Forecast opex has been reconciled to the opex presented in the Reset RIN and the regulatory proposal

#### **8.2.2 Source of information**

This data has been sourced from the business' build-up of costs and forecast allocation rates derived from the ROMO model.

#### **8.2.3 Methodology and Assumptions**

The forecast opex line is equal to the total opex line in the Reset RIN tables on sheet 2.16 Opex Summary.

This is the total opex considered to be controllable by Essential Energy and upon which efficiencies should be based.

#### **8.2.4 Use of estimated information**

All forecast data is estimated and has been based on best estimates available.

#### **8.2.5 Material accounting policy changes**

Essential Energy has not undertaken any changes in accounting policies that would impact the forecast data in this table.

#### **8.2.6 Reliability of information**

Essential Energy advises that the actual and forecast information provided in this section is materially reliable.

## **9. Worksheet – CESS**

### **9.1 1 - Forecast Capex for CESS Purposes (CESS target) and 2 - Actual/estimated capex for CESS purposes**

#### **9.1.1 Compliance with requirements of the notice**

Essential Energy has:

- > Identified the capex allowance applicable to the years for which the CESS applied (2015-16 through to 2018-19)
- > Identified the actual and estimated capex for the years 2015-16 through to 2018-19 to which the CESS is to be applied
- > Noted any proposed exclusions from either allowed capex or actual/estimated capex in the tables provided
- > Reconciled actual capex (years 2014-15 through to 2016-17) to the RFM for the 2014-19 period
- > Reconciled forecast capex to the Reset RIN tables and regulatory proposal

#### **9.1.2 Source of information**

- > Set-aside final determination that outlines the application of the CESS for only four years (2015-16 through to 2018-19) of the 2014-19 regulatory period
- > The capex allowance for the 2015-16 through to 2018-19 years in Table 1 is sourced from the set-aside PTRM for the 2014-19 regulatory period
- > Actual capex data (years 2014-15 through to 2016-17) in Table 2 has been sourced from the RFM for the 2014-19 regulatory period – which in turn is derived from the Annual Reporting RIN
- > Forecast capex data has been sourced from the business' build-up of costs and forecast allocation rates derived from the ROMO model
- > A list of the projects proposed for the 2014-19 regulatory period that did not proceed and the reasons for not proceeding.



### **9.1.3 Methodology and Assumptions**

- > The CESS does not apply to the 2014-15 regulatory year
- > There were no proposed exclusions from the CESS in the set-aside determination
- > There are no proposed exclusions from actual/forecast data for the following reasons:
  - There was \$42M of projects proposed in the current regulatory period that did not proceed,
  - \$33.1M was attributable to third party delays and/or decisions that altered the need for the capex.
  - \$8.9M was attributable to projects that did not progress as they were no longer deemed critical or necessary as the period progressed.
  - Only one of these projects, with a forecast cost of \$2.9M (\$2013-14), will carry into the next regulatory period.
- > The value of these projects is not material in the scheme of the 2014-19 allowance (representing less than 2% of the total capex allowance)
- > Essential Energy is not asking for materially higher capex in the next regulatory period.

### **9.1.4 Use of estimated information**

All forecast data is estimated and has been based on best estimates available.

### **9.1.5 Material accounting policy changes**

Essential Energy has not undertaken any changes in accounting policies that impact the data in these tables.

### **9.1.6 Reliability of information**

Essential Energy advises that the actual and forecast information provided in this section is materially reliable.