

REGULATORY INFORMATION NOTICE (RIN) – SCHEDULE 1

1.1(a) Financial template

Provide the information required in the Regulatory Accounting Statements, being the information required in the worksheets in the Microsoft Excel workbook attached at Appendix B, as amended by the AER on 6 August 2014.

Please refer to worksheets in Attachment 1, prepared from the Microsoft Excel workbook provided at Appendix B of the Regulatory Information Notice (the Notice).

1.1(b) Non-Financial template

Provide the information required in the Non-Financial Regulatory Templates in the Microsoft Excel workbook attached at Appendix C, as amended by the AER on 6 August 2014.

Please refer to worksheets in Attachment 8, prepared from the Microsoft Excel workbook provided at Appendix C of the Notice.

1.1(c)(i) Assumptions and methodologies

Explain, where applicable, the assumptions and methodologies underlying the information provided.

1. Financial Information

The Financial templates are populated in accordance with the Cost Allocation Methodology (CAM) previously approved by the AER. The financial information consists of:

- The data from audited statutory financial statements of Essential Energy for the year ended 30 June 2014.
- The data from the customer billing system of Essential Energy audited by the Auditor-General.

The CAM is applied to the audited trial balance with combinations of general ledger fields grouped to complete the various line items of the Regulatory Information Notice (RIN) template. The CAM also calculates the percentage of financial transactions attributable to the standard control and alternate control services of Essential Energy's distribution business. This information is audited against the CAM and back to the Statutory Accounts by our financial auditor as required in the RIN.

Data is extracted from the customer billing system and interrogated applying mapping tables based on premise and tariff information.

The key systems used to populate the financial templates are:

- Financial Management Information System (FMIS) – PeopleSoft
- Billing System – Peace
- Reporting – Cognos

2. Non-financial Information

Feeder Performance

Essential Energy selects best and worst performing feeders based on SAIDI information from the ENMAC/POF system and the maximum demand for the feeders has been derived from a mixture of

revenue/statistical metering, SCADA, recloser data and field equipment. The maximum demand is not reported for all feeders because of availability of accurate data for these feeders.

Operational Procedure: Supply Interruption: Record Creation & Auditing Responsibilities CEOP2104

Reliability, Unplanned Outages and Exclusions

Unplanned outages are managed in ENMAC/POF via the following process:

- 1) Supply Interruptions Group (SIG) receives call and records the details into the call management system.
- 2) A network operator will record the outage on the ENMAC/POF spatial map. Highlighting an interrupted customer on the ENMAC/POF spatial map allows the relative position of other reported outages on the network to be considered.
- 3) Other calls related to the same outage can be combined into an incident and the extent of an outage will be predicted. Network operators can also manually record the extent of an outage. An incident report (IR) is then created to track and record the outage.

Alternatively, some equipment in the network is monitored by SCADA and faults will be automatically raised in ENMAC/POF and an IR created prior to any calls being logged.

- 4) The IR is sent to dispatch who will arrange for a crew to attend the incident.
- 5) The network operator will instruct the crew to restore the network and upon receiving confirmation will perform the switching in ENMAC/POF.
- 6) ENMAC/POF records the time of each switching event including the initial outage. The start time is deemed to be the time of the first call reporting loss of supply or as per the SCADA system. The restoration times for sections of the network are based on the switching in ENMAC/POF.
- 7) As ENMAC/POF is a spatial network model, the system can determine which customers are connected to each section of the network down to a distribution sub level. ENMAC/POF will automatically calculate the total customer interruptions and minutes and is able to account for staged restoration of the network.
- 8) The IR is closed and the operator may include comments or indicate exclusion categories which can be reviewed by the reliability reporting team.

Planned Outages

Planned outages are managed in a very similar way to unplanned outages however the commencement of the outage is initiated by the network operator as opposed to a supply interruption.

Outage data can be retrieved from ENMAC/POF and is then stored in a series of databases from where analysis of the outages is undertaken.

Operational Procedure: Planned and Unplanned Interruptions CEOP2514.20

Operational Procedure: Systems Operations: Switching Request and Planned Outage Notification CEOP2056

MED Boundary

The MED boundary is calculated in accordance with the RIN whose methodology is based on IEEE Std. 1366. Also a statistical test is applied to the data set to test whether the natural logarithm of each daily unplanned SAIDI is a normal distribution.

Telephone Answering

Essential Energy has a new highly automated call management system which records the statistics of all phone calls received by the call centres. The system records details including abandoned calls, calls answered within 30 seconds and calls answered outside of 30 seconds. The system 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.

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.

Two separate telephony systems were used to compile the data due to the implementation of new telephony in January 2014. Symposium was used for 01/07/13 to 10/01/14 data, with Interactive Intelligence Interaction Supervisor for 11/01/14 to 30/06/14 data.

Essential Energy was not able to measure the number of abandoned calls which were abandoned within 30 seconds from 01/07/13 to 10/01/14 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. The AER's allowed estimates were used to determine:

- Total number of calls – this is the total number of answered calls + number of abandoned calls after 30 seconds.
- Calls answered within threshold – the number of calls answered within the threshold.
- Percentage of total calls answered within the threshold.

New Connections

New connections are defined as 'all new connections to the network' and do not include re-energisation of existing premises. Essential Energy has a process flow document relating to new connections and this was reviewed by our auditors.

On each occasion that a notification of a connection is received by Essential Energy, a check is completed to determine if the premise is an existing premise. Any new premises are added along with the National Metering Identifier (NMI). Essential Energy has extracted a list of new connections which were registered within the regulatory year. This number is reported as the total number of new connections.

SKM reviewed a list of the new connections reported for the year and confirmed the count of new customers. The auditor also viewed the premise details screen for four new connections in Essential Energy's customer management system and found the process for recording new connections is based on appropriate information systems, is well documented and appears to be followed correctly by staff.

The number of new connections which were not provided on or before the agreed date has not been reported. This is considered appropriate given that the majority of connections are made by ASPs.

Streetlight Repair

Essential Energy manages all aspects of streetlight repair recording through its asset management system known as WASP. WASP contains information about each streetlight asset known to Essential Energy. When a notification of a defect is received by the streetlight team, an asset is defected and the instruction for repair is initiated. Once repaired the actions taken by field staff are recorded and the defect is completed. Essential Energy then runs reports of the database to obtain the information reported in the RIN.

Response to Written Enquiries

Essential Energy uses a Contact Management System (CMS) to manage enquiries. An individual record is generated in CMS for each enquiry/complaint received. The CMS system is then used to assign a responsibility to address the issue and to record communications and actions taken to resolve the contact.

CMS records include the following information which is relevant to the process of reporting in the RIN template:

- *Details* – Details of the customer.
- *How Contacted* - Method by which they made contact.
- *Raised* - Is the time when the enquiry was received which is either when a written letter was received by Essential Energy or when an enquiry is lodged online.
- *Type* – Defines whether the contact is an enquiry or a complaint. An enquiry requires only a response whereas a complaint will require some form of rectification.
- *Category / Subcategory* – Records the subject of the inquiry in two fields.
- *Resolution Date* – The time at which an operator deems the issue has been resolved. This feature was added following the recommendations of the previous audit to capture that a response to an enquiry has been made while the record can remain open until agreed action is complete. This is used as the response date for the purpose of RIN reporting.
- *Completion Date* – Is the time at which a record is closed and no further action is required.
- The CMS system will also store copies of any correspondence with the customer.

Records for the reporting period can be extracted from CMS into a spreadsheet for analysis using an automated reporting tool developed in the CMS database. Essential Energy then undertakes a series of manual filtering and vetting processes to eliminate non-relevant records. These filters are:

- Enquiries not related to the network are discounted by filtering through the category and subcategory fields. Essential Energy receives numerous complaints which are unrelated to direct control services. This includes enquiries related to Water and other non regulated aspects of the business.
- Enquiries not from Essential Energy Customers: Essential Energy receives enquiries from a variety of sources who are not customers. Examples of this type of enquiry include businesses who wish to gain work with Essential Energy and students who are conducting projects for which they require some information.
- Enquiries that are internally generated as a means of instigating field work.
- For the remaining records the number responded to within 5 days is determined using Excel functions based on the recorded “Raised Date” and “Resolution Date” counting only business days.

Notification of Planned Interruptions

Planned interruptions are managed through ENMAC in a similar way to unplanned outages.

Essential Energy has procedures to ensure that an attempt to notify customers is made for all planned interruptions. This includes the submission of work plans 28 days prior to ensure that there is sufficient time to notify customers. Records of customer notifications are kept and can be retrieved for investigation of complaints.

There are a number of situations which can occur such that a customer notification is not successfully delivered. Some of those are:

- When local staff delivering notifications miss a property.
- A customer is incorrectly mapped within ENMAC and not known to be connected to the affected network segment.

- Customer details are not available as the retailer which they have an account with has not provided contact details.

EBSS

Essential Energy has an EBSS procedure which was reviewed by our auditors and ensures that operating expenditure for EBSS purposes is accurately reported.

DMIS – DMIA Annual Report

Essential Energy uses the FMIS to record expenses associated with demand management projects which qualify for the DMIA. These include both internal expenses such as employee labour costs and fleet, as well as external expenses such as payments to equipment manufacturers, capital costs, and other direct project costs for which Essential Energy is provided an invoice by a third party.

Systems used for non-financial information

- System monitoring – ENMAC
- Telephone Answering – Symposium
- Streetlight Repair – WASP
- Financial Management – PeopleSoft
- Asset Management System - Smallworld

1.1(c)(ii) Instances

Explain, where applicable, each instance where the information cannot be provided or is not provided in full.

Financial template – Sch 5. Capex – Table 7. Gifted Assets by Asset Class – Forecast column

Forecast figures for gifted assets were not prepared for the current determination period.

Financial template – Sch 5. Capex – Table 8. Disposals by Asset Class – Forecast column

Forecast figures for disposals were not prepared for the current determination period.

Financial template – Sch 10. Operating costs – Table 5. non-recurrent network operating costs

There were no items which made up more than 5 per cent of the total standard control or alternative control network operating costs.

Non-Financial template – Sch 1b. STPIS Customer Service – Table 2. New connections

Essential Energy was unable to report on number of new connections not provided on or before the agreed date, or percentage thereof, as this work is performed by Accredited Service Providers.

Non-Financial template – Sch 1c. STPIS Daily Performance – Table 1. Daily performance data (Unplanned SAIDI, Unplanned SAIFI)

Data relating to excluded events was not available.

Non-Financial template – Sch 1f. STPIS GSL – Table 1. Guaranteed service levels - AER GSL scheme

This table was not completed as the AER's GSL scheme did not apply during the regulatory year.

Non-Financial template – Sch 3. Outcomes customer service – Table 3. Customer service

Essential Energy was unable to report on number of new connections not made on or before the agreed date, as this work is performed by Accredited Service Providers.

1.1(d) Movements between Accounting Statements

Provide a Microsoft Excel workbook or other information that explains all movements between the Audited Statutory Accounts and the Regulatory Accounting Statements.

The Regulatory Accounting Statements reconcile back to the Audited Statutory Accounts.

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- The data from the customer billing system of Essential Energy audited by the Auditor-General.

The CAM is applied to the audited trial balance with combinations of general ledger fields grouped to complete the various line items of the Regulatory Information Notice (RIN) template. The CAM also calculates the percentage of financial transactions attributable to the standard control and alternate control services of Essential Energy's distribution business. This information is audited against the CAM and back to the Statutory Accounts by our financial auditor as required in the RIN.

1.1(e) Capitalisation Policy

Provide the Capitalisation Policy for the Relevant Regulatory Year.

Please refer to Attachment 7.

1.1(f) Compliance with CAM

Provide the statement of policy/s for determining the allocation of overheads in accordance with the Cost Allocation Method for the Relevant Regulatory Year.

Essential Energy apply the approved CAM to the trial balance. This is done manually and agreed back to the statutory accounts and verified by independent auditors.

There is no actual statement of policy for this procedure.

1.2 and 1.3 Material differences and explanations

For each of the following items, identify each Material difference between that reported in the Regulatory Accounting Statements and that provided for in the 2009-14 Distribution Determination for the Relevant Regulatory Year, and explain the reasons for any underlying operational activities or drivers that caused each Material difference.

- (a) total actual revenue and total forecast revenue – the allowance for the year was \$1,500.5m while the actuals are \$1,382.1m (this includes income from Miscellaneous and Monopoly Fees). Although overall kilowatt hour consumption was higher than forecast the proportion used by small customers on higher rates was much less than forecast and this has led to reduced revenue.
- (b) total actual Operating Expenditure and total forecast Operating Expenditure – Material differences and corresponding explanations have been provided in Table 2 Explanation of material difference in Sheet 10 Operating costs of the RIN financial template.
- (c) total actual Maintenance Expenditure and total forecast Maintenance Expenditure – Material differences and corresponding explanations have been provided in Table 2 Explanation of material difference in Sheet 8 Maintenance of the RIN financial template.
- (d) total actual Capital Expenditure and total forecast Capital Expenditure - Material differences and corresponding explanations have been provided in Table 2 Material Difference Explanation in Sheet 5 Capex of the RIN financial template.

1.4 Procedures and processes

Explain the procedures and processes used by Essential Energy to ensure that the distribution services have been classified as determined in the 2009-14 Distribution Determination.

Combinations of general ledger fields are used to identify the classification of services against financial transactions.

Each year a review is undertaken to identify changes to the business as a whole and specific general ledger fields, to ensure the fields have retained integrity in relation to business operations. This is included in the financial audit.

1.5 Procedures and processes

Explain the procedures and processes used by Essential Energy to ensure that the negotiated distribution service criteria, as set out in the 2009-14 Distribution Determination, have been applied.

Essential Energy does not have any negotiated services.

1.6 Negative change events

Describe the process the DNSP has in place to identify negative change events under clause 6.6.1(f) of the NER and the threshold of materiality applied by Essential Energy to these events.

Essential Energy's regulatory and communications teams receive notification from all regulatory and government bodies of proposed or actual changes to any Rules, Regulations or Legislation that may impact the electricity sector. These are maintained in a register and assigned to the appropriate team for review and notification to the business of any new or changed requirements in relation to Essential Energy's distribution business. This register is reviewed on a weekly basis by the Regulatory team.

In addition a monthly meeting is held between the Regulatory and Finance and Risk teams to ensure that any changes to accounting standards, reporting or taxation laws are communicated to the Regulatory team.

Through a regular review of this register and liaison with other areas of the business, Essential Energy can confirm that none of the negative pass through events listed in 6.6.1(f) of the NER or the 2009-2014 NSW Distribution Determination have occurred during the 2013/14 year that would have resulted in a 1 per cent of revenue (approximately \$14m) change in the cost of providing direct control services. These events are listed below.

NER 6.6.1(f)

A negative change event for a *Distribution Network Service Provider* or a *pass through event* that materially reduces the costs of providing *direct control services*:

Any of the following is a pass through event:

- a regulatory change event;
- a service standard event;
- a tax change event; or
- a terrorism event.

In addition the following were approved as pass through events in the *2009-2014 NSW Distribution Determination*:

- Retail project event;
- Smart meter event;
- Emissions trading scheme event;
- Aviation hazard event; or
- General nominated pass through event.

2.1(a) Cost allocation to the regulated distribution business

Identify each item in the Regulatory Accounting Statements that is not allocated on a directly attributable basis but is allocated on a causation basis to the distribution business.

These items are listed in Table 2.10.1 Network Overheads Expenditure of the 2013-14 Category Analysis RIN template.

2.1(b) Cost allocation to the regulated distribution business

Identify each item in the Regulatory Accounting Statements that is not allocated on a directly attributable basis and cannot be allocated on a causation basis to the distribution business.

These items are any overheads which have the following allocators applied to them:

- Direct Labour
- Full Time Equivalents (FTEs)
- Fleet Usage

These are included in the figures reported in Table 2.10.1 of the 2013-14 Category Analysis RIN template, referred to in 2.1(a).

3.1(a) Cost allocation to service segments

Identify each item in the Regulatory Accounting Statements that is not allocated on a directly attributable basis but is allocated on a causation basis from the distribution business to a service segment.

The same allocation methodology is used across all service segments of the business, with all direct costs attracting overheads, regardless of the segment these costs relate to.

3.1(b) Cost allocation to service segments

Identify each item in the Regulatory Accounting Statements that is not allocated on a directly attributable basis and cannot be allocated on a causation basis from the distribution business to a service segment.

The same allocation methodology is used across all service segments of the business, with all direct costs attracting overheads, regardless of the segment these costs relate to.

4.1 Related party transactions

Identify each Related Party with which a transaction has been conducted.

Essential Energy did not enter into any related party transactions.

5.1 Efficiency Benefit Sharing Scheme (EBSS)

Identify all changes between the Capitalisation Policy for the Relevant Regulatory Year and Previous Regulatory Year.

There were no changes to the capitalisation policy.

6.1 Demand Management Incentive Scheme (DMIS)

In respect of the Demand Management Innovation Allowance, provide details of each demand management project or program for which approval is sought.

Please refer to Attachment 8.

7.1 D-Factor

In respect of the D-Factor, provide details of each non-tariff demand management measure undertaken by Essential Energy during the Relevant Regulatory Year.

Essential Energy did not participate in a D-Factor scheme.

8.1(a) Group corporate structure chart

Provide charts that set out the group corporate structure of which Essential Energy is a part.

Figure 1. Umbrella Agreement

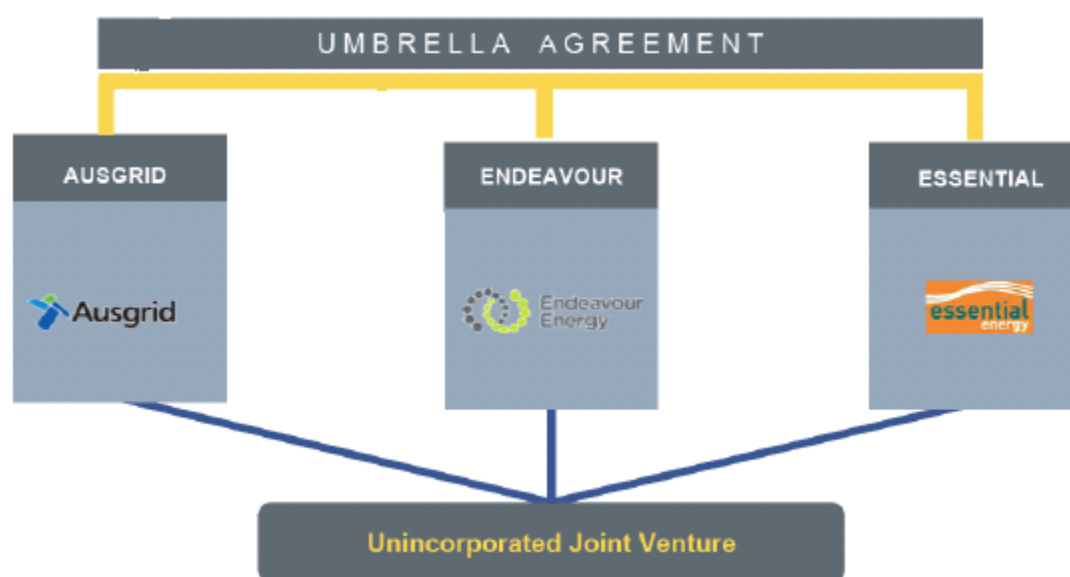
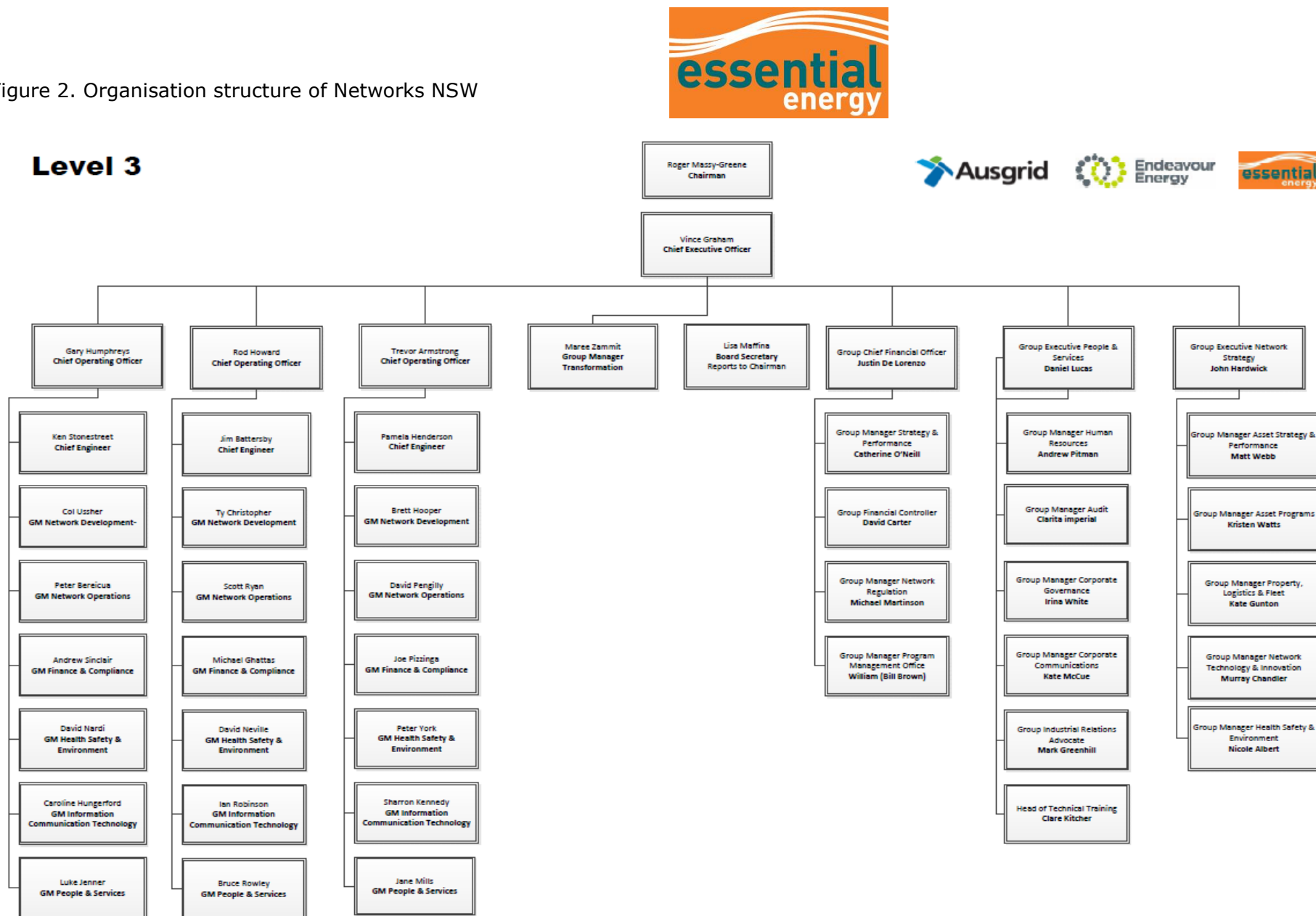


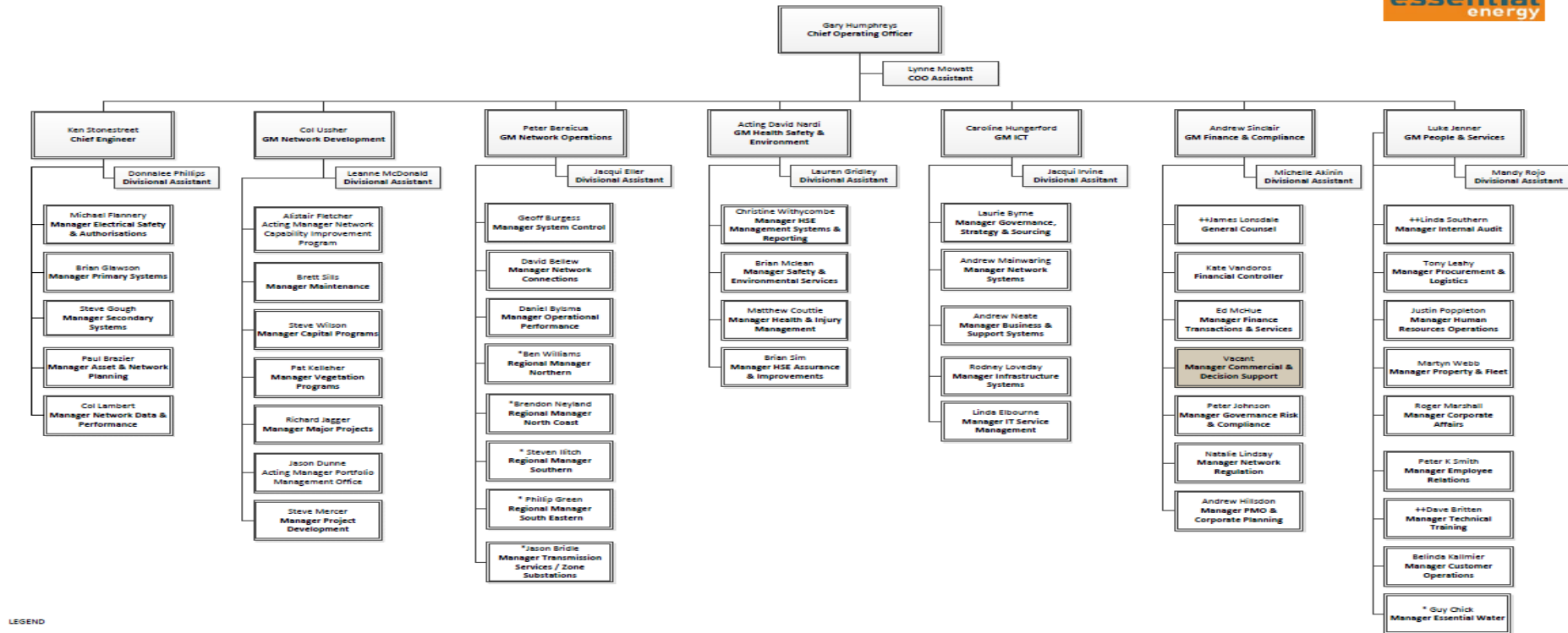
Figure 2. Organisation structure of Networks NSW



8.1(b) Essential Energy organisational structure chart

Provide a chart that sets out the organisational structure of Essential Energy.

Essential Energy Structure to Level 4
16 September 2014



LEGEND

Vacant Position

* Position between level 4 and level 5
++ Dual reporting lines to Group NHDW

9.1(a) Financial audit report

Provide an Audit Report in the form of a Special Purpose Financial Report in accordance with the requirements set out at Appendix E of this Notice.

Please refer to Attachment 4 from Ernst & Young.

9.1(b) Non-Financial audit report

Provide an Audit Report in the form of an Audit Report (for Non-Financial Regulatory Templates information) in accordance with the requirements set out at Appendix E of this Notice.

Please refer to Attachment 5 from Ernst & Young.