



Attachment 13.02

Fee-based and quoted services labour
rate methodology

31 January 2023

PowerWater

Contents

Overview	ii
Methodology	1

Overview

Power and Water Corporation (**PWC**) provides Fee-Based and Quoted Services to customers in the Northern Territory. These services were first regulated by the AER in the 2020-24 regulatory period and it will continue to regulate the prices and charges for these services in the 2025-29 regulatory period.

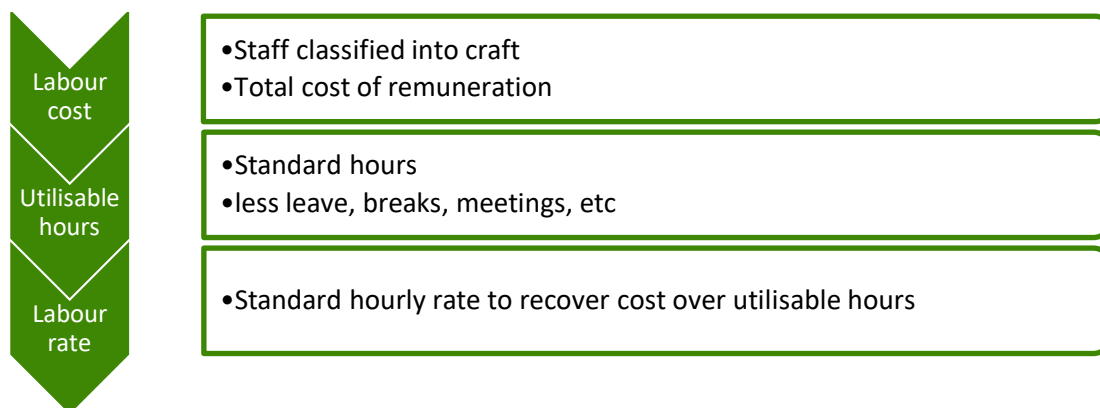
This paper sets out the hourly allowance for labour that we propose to be recovered in the regulated prices and charges for the 2025-29 period. The approach is based on the structure of the labour cost allowed by the AER for the 2020-24 period, however we have updated the calculations to reflect the current cost of labour.

In the 2020-24 period, we estimated the allowance for labour based on our internal labour rate, which was used to measure the amount of labour costs of all operating activities (for example, capital works, repair & maintenance works, fee and quoted services, metering repairs, metering installations, etc). The internal labour rate was calculated using a specific methodology for different types of labour, which is outlined below.

Our internal labour rate approach has changed and we now have a broader labour rate for two skills ('field staff' and 'engineers'). Therefore, the actual labour cost of Fee & Quoted Services in our financial accounts will now reflect that broader labour rate, however for the purpose of setting customer charges we propose to continue to use the old labour rate calculations.

This means the labour rate methodology in our 2025-29 proposal is consistent the 2020-24 regulatory period. The methodology is shown conceptually below and outlined in the remainder of this document.

Figure OV.1: Hourly labour rate calculations per craft



Methodology

Step 1. Categorise employees by 'Craft'

We review all personnel and categorise them into following Crafts:

- Technical Specialist, Trade Technical and Operator
- Administrative
- Communications (same as Technical Specialist rate)
- Engineering.

Prior to the change of our internal labour rate, we also created an "Executive" craft. Executives were not involved in the delivery of Fee & Quoted Services so we have not recalculated that rate in this proposal.

[Redacted]

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[Redacted]

[Redacted]

¹ [Redacted]

Step 3. Calculate typical employee “utilisable” hours

This step calculates the total utilisable hours of Power Services staff for each craft.

The utilisable employee hours for each craft have been calculated as the total rostered time available, less public holidays, annual leave provisions, training days allowed, travel and daily meeting times, and breaks allowed for each day. The utilisable hours have decreased from the prior determination period due to the removal of training days.

- **Rostered Time Available** is the annual working hours for each employee in the respective craft, which is dependant on their individual employment arrangements under the enterprise agreement.
- **Public Holidays** are the number of public holidays in the Northern Territory in 2021-22 as this is the year in which the costs are measured. Staff do not work during these days so are excluded from utilisable hours.
- **Annual Leave** represents the number of hours leave each staff is entitled to each year and thus staff do not do productive work for this amount of time each year on average.
- **Training** represent time spend on training activities, which is directly relevant to the operational activities and thus should be attributed into the labour rate. Therefore, this time is excluded from the utilisable hours.
- **Travel** represent time spend on travel necessary for operational activities, which is directly relevant to the operational activities and thus should be attributed into the labour rate. The amount of travel time has been calculated using historical actual data. Therefore, this time is excluded from the utilisable hours.
- **Meetings** represent time spend in daily toolbox meetings, which is directly relevant to the operational activities and thus should be attributed into the labour rate. Therefore, this time is excluded from the utilisable hours.
- **Breaks** represent time spent on breaks while working, which are directly relevant to the operational activities and thus should be attributed into the labour rate. Therefore, this time is excluded from the utilisable hours.

Step 4. Calculate direct labour allowance per hour

This step calculates the total labour cost divided by the utilisable hours for each craft.

Table 0.1: Labour cost by craft

Craft (\$ real 2021-22)	Total cost	Employees	Utilisable hours per employee	Hourly rate
Administrative	\$2,293,337	19.1	1,355	\$88.72
Engineering	\$4,049,646	21.2	1,355	\$141.28
Communications, Technical Specialist, Trade Technical and Operator	\$20,691,745	129.0	1,355	\$118.34