Distribution Annual Reporting RIN, 2013-14

Basis of preparation

As submitted to the AER

5 December 2014

CONTACT

This document is the responsibility of the Strategy and Stakeholder Relations Group within Tasmanian Networks Pty Ltd (ABN 24 167 357 299). Please contact the indicated owner of the document with any queries or suggestions.

RESPONSIBILITIES

Document Owner

Regulation Leader
Tasmanian Networks Pty Ltd
1 – 7 Maria Street
Lenah Valley TAS 7008
email: networktariff@Tasnetworks.com.au

Document Management

Strategy and Stakeholder Relations Group

Introduction

From 1 July 2014, TasNetworks (ABN 24 167 357 299) assumed the responsibilities of Aurora Energy Pty Ltd for distributing electricity to Tasmanian homes and businesses. Aurora Energy continues to operate in the capacity of a stand-alone electricity retailer in Tasmania.

This Basis of Preparation document represents part of TasNetworks' response to the Regulatory Information Notice (RIN) issued in August 2014 by the Australian Energy Regulator (AER), under Division 4 of Part 3 of the National Electricity (Tasmania) Law, for the purposes of collecting the information required to monitor TasNetworks' compliance with the distribution determination applying to the regulatory control period that commenced on 1 July 2012.

The information and explanatory material included in this Basis of Preparation relate to Aurora Energy's activities as Tasmania's licensed Distribution Network Service Provider (DNSP) during the 2013-14 Regulatory Year.

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Definitions and interpretation

In this document and TasNetworks' response to the RIN, unless otherwise noted:

'**TasNetworks**' refers to TasNetworks, acting in its capacity as a licensed Distribution Network Service Provider in the Tasmanian jurisdiction of the National Electricity Market.

'**2012-17 Distribution Determination**' refers to the distribution determination made by the Australian Energy Regulator applying to Aurora Energy and, now, TasNetworks.

'**Aurora Energy**' refers to Aurora Energy Pty Ltd, acting in its capacity as the licensed DNSP in Tasmania prior to 1 July 2014.

AER	Australian Energy Regulator
Aurora Energy	Aurora Energy Pty Ltd
CAM	Cost Allocation Method
DM	TasNetworks' Electronic Document Management System
DNSP	Distribution Network Service Provider
Gentrack	TasNetworks' Market Data Management System
ICAM	Indirect Cost Allocation Model
MAIFI	Momentary Average Interruption Frequency Index
MDMS	Meter Data Management System
Navision	TasNetworks' financial system
OTTER	Office of the Tasmanian Economic Regulator
POW	Programme of Work
RIN	Regulatory Information Notice
SAIDI	System Average Interruption Duration Index
SAIFI	System Average Interruption Frequency Index
SCS	Standard Control Services
SDW	Spatial Data Warehouse
TasNetworks	Tasmanian Networks Pty Ltd
Transend	Transend Networks Pty Ltd
WASP	TasNetworks' program-of-work management system (Works, Assets, Solutions and People)

Distribution Annual Reporting RIN, 2013-14

Basis of preparation

1. Information

For the 2013-14 Regulatory Year, TasNetworks is required to submit to the AER detailed financial and non-financial information relating to the distribution services provided by TasNetworks by way of its electricity distribution network in Tasmania. That information is required to be prepared, provided and maintained in the form specified in the Regulatory Information Notice issued by the AER.

1.1(a) Financial information

TasNetworks is required to submit to the AER detailed financial information relating to the provision of standard control services, alternative control services, negotiated distribution services and unregulated distribution services for the 2013-14 Regulatory Year. TasNetworks has provided that information using the Microsoft Excel Workbook attached to the AER's RIN at Appendix B. The following explanatory material describes, for all information in the Financial Information Templates, the basis on which TasNetworks has prepared that information.

1. Income

(a) Compliance with the requirements of the RIN

The information provided with regards to the Income Statement in *Table 1 – Income* is consistent with the requirements of the Annual Reporting RIN, in that:

- all relevant input cells in the template have been populated;
- the data has been gathered from reliable and objective data sources which are used in the normal course of TasNetworks' business; and
- all revenue data reconciles to the regulated accounts for the 2013-14 regulatory year.

(b) Information sources

The following data sources have been used to populate Template 1;

- TasNetworks' financial system (Navision)
- Detailed revenue splits for fee based services sourced from the distribution service order management (SOM) system and the distribution billing system (DBill).
- estimated accrual for unbilled use of system charges (UBUOS) provided by an external contractor (Deloitte).

(c) Methodology and assumptions

Standard control Services (SCS) Distribution Revenue

This represents billing revenue associated with standard control distribution use of system (DUOS) charges for all customers. Billing revenue was originally sourced from DBill and subsequently entered into the financial system (Navision) with the relevant dimensional identifiers. A portion of the UBUOS has been allocated to this revenue segment. As the UBUOS is not split between distribution, transmission (TUOS) and metering services, an estimate methodology has been used to generate the split. The UBUOS estimate split was generated using actual billing revenue split between DUOS, TUOS and metering.

SCS TUOS Revenue

This represents the billing revenue associated with standard control transmission use of system (TUOS) charges for all customers. Billing revenue was originally sourced from DBill and subsequently entered into the Navision financial system with the relevant dimensional identifiers. As per the standard control distribution revenue, UBUOS has been apportioned to TUOS revenue based on actual revenue splits between DUOS, TUOS and Metering.

Alternative Control Services (ACS) Public Lighting

This represents revenue associated with the asset component of the approved tariff prices for public lighting. Data has been sourced from the financial system Navision, GL account #1154 ACS – Public lighting income.

ACS Metering

This represents revenue associated with the metering component of the approved distribution network tariffs. Data has been sourced from the financial system Navision, GL account #1152. A portion of the UBUOS has been allocated to this revenue item based on the methodology previously detailed for standard control services distribution revenue. An adjustment has been made to metering income to remove revenue associated with PAYG metering services of $1.45M (this had been allocated within Navision as metering revenue instead of unregulated revenue services). As such, $1.45M has been removed from the ACS metering segment and reallocated to unregulated distribution services revenue.

ACS Fee based services

This represents revenue associated with items classified as fee based services, as per the 2012-17 Distribution Determination. Data has been sourced from the financial system Navision, GL account #1156, with some adjustments from the SOM and DBill systems. The adjustments required for fee based services include the removal of $514,000 of connection charges which were incorrectly allocated as fee based services. These charges have been reallocated to customer capital contributions (Note: there has been a change in classification of these services since the introduction of NECF). An adjustment for fees in relation to PAYG meter alterations has also been made with $69,158 reallocated from fee based services to unregulated other revenue. An additional adjustment of $0.914 million has been made to remove renewable energy connection income that was incorrectly classified as a fee based service in the financial system. This revenue is classified as a basic connection service and, as such, has been reallocated to capital contributions.

ACS Quoted Services

Data has been sourced from the financial system Navision, GL account #1158, in addition to an adjustment of $2,700 which has been reallocated to capital contributions.

Negotiated Services Other Revenue

Data has been sourced from the financial system Navision, GL account #1131.

Unregulated Services Distribution Revenue

This represents revenue associated with the PAYG metering charge. A total amount of $1.45 million has been reallocated from ACS Metering Unregulated Services Distribution Revenue, after it was incorrectly allocated to unregulated distribution revenue services.

Capital Contributions SCS

Capital contributions have been allocated in the financial system (GL account number 1610) in accordance with the approved method in the 2012-17 Distribution Determination. Source data is from the CAPEX RIN Mapping model. An adjustment to the total standard control capital contributions has been required to move $2,735 from standard control capital contributions to public lighting capital contributions in order to correct to an incorrect allocation in the financial system. Adjustments include $2,700 for revenue that was incorrectly classified as quoted services, $514,000 from fee based services revenue and $0.914 million for renewable energy connection revenue.

ACS Public Lighting Capital Contributions

This represents capital contributions relating to public lighting, with the data being sourced from the CAPEX RIN Mapping Model.

Unregulated Services Profit from the sale of fixed assets

This represents the distribution portion of the sale of fixed assets as per the FY14 regulated accounts.

Unregulated Services Other Revenue

This represents a variety of revenue avenues including: (1) An adjustment of $69,158 of unregulated PAYG revenue from fee based services, (2) Telco revenue as per Navision GL account number 1498 in the Telco Financial Ledger, (3) Training school revenue as per Navision GL account number 1470, work category TSSEX, (4) Unregulated revenue as per the Navision Network Financial ledger including external contracting revenue, unregulated network income, rental income, asset damage recovery and sundry operating income, (5) Unregulated revenue as per the Network services Financial ledger including external contracting sales and the sale of inventory.

TUOS Costs

Represents the cost of goods sold in relation to transmission charges. Data source includes Navision GL account #2355 and #2360.

Costs Not Allocated to Distribution Business

This represents cost of goods sold in retail to the Energy Business of Aurora. Source data is as per the regulated accounts for FY14.

Maintenance Costs

These costs are as per the RIN sheet *5a. Maintenance Total*.

Operating Expenses

These costs are as per the RIN sheet *6a. Operating Activities*.

Depreciation

Depreciation has been split across the relevant service classifications as per the RAB Roll Forward Model 2013-14.

Impairment losses (Nature)

This is as per the FY14 Regulated accounts and relates to a favourable revaluation of network meters.

Feed in Tariff Scheme

The Feed In Tariff (FiT) is a State Government initiative whereby TasNetworks provides Energy Retailers with the variance between the legacy solar tariff rate and the new 'fair and reasonable' tariff rate, effective 1 January 2014. This arrangement was put in place to ensure that customers were not disadvantaged once full retail competition commenced on 1 July 2014. Data for the FY14 rebate is originally sourced from DBill and entered into the financial system GL, account #2365.

(d) Estimated information

The majority of small customers have basic accumulation meters which are read on a quarterly reading cycle, meaning that unbilled use of system (UBUOS) charges relating to these customers to 30 June 2014 have been estimated. The estimate accrual was generated by a board approved methodology using a model developed by an external contractor (Deloitte).

2. Metering and Total Annual Retailer Charges (TARC)

Table 1 Metering - Current Year
Table 2 Metering - Prior Year

(a) Compliance with the requirements of the RIN

The information provided about metering and TARC in Tables 1 and 2 is consistent with the requirements of the Annual Reporting RIN, in that:

- all relevant input cells in the template have been populated;
- the data has been gathered from reliable and objective data sources which are used in the normal course of TasNetworks' business;
- the revenue derived from the provision of metering services is based on the type of meter installed to record data (i.e. single phase, multiphase or current transformer meters); and
- meter numbers by meter tariff type are as at 30 June 2013 and 30 June 2014.

(b) Information sources

All data for metering revenue and numbers has been sourced from TasNetworks' market and billing systems. Metering revenue for the 2012-13 and 2013-14 years has been reconciled to TasNetworks' Regulated Accounts.

(c) Methodology and assumptions

TasNetworks' billing system did not maintain the metering tariff rates for 2012-13 up to February 2014.

Metering data was extracted from the market system and metering rates were applied to each NMI based on the register type.

Based on the tariff rate used for each NMI and register, the new meter tariff was applied.

Unregulated metering installations have been excluded from the count of meter numbers, such as interval meters supplied by TasNetworks on a competitive basis which are not subject to regulated metering service charges.

(d) Estimated information

For 2012-13, the metering revenue extracted from the billing system contained prior year adjustments which were not split by meter tariff. For 2012-13 and 2013-14 there were variances between source data and TasNetworks' Ring Fenced Accounts that related to adjustments which included UBUOS, which are not captured by the billing and market systems.

For 2012-13, the metering revenue extracted from the billing system contained prior year adjustments which were not split by meter type, but split by tariff. The apportioning of the adjustments was done by using actual data by tariff and meter type, and then apportioning the adjustment by weighted average and adding back to the actual data extracted from the market system.

From March 2014, the tariff data was calculated in the billing system. As the billing system is live, any adjustments made after reporting revenue in the Ring Fenced Accounts will affect the data extracted. As a result of the time delay in extracting data from the live billing system, the adjustments were made by using actual data by tariff and meter type, then apportioning the adjustment by weighted average and adding it back to the actual data extracted from the market system.

For 2012-13 and 2013-14, where there were variances between source data and Ring Fenced Accounts, other than the variations relating to timing delays and noted above, which related to adjustments that included UBUOS, which is not captured in the billing and market systems.

It is assumed that the application of adjustments for the 2012-13 to 2013-14 year weighted average across tariffs and meter type is representative of the allocation of revenue across the revenue groupings for 2012-13 to 2013-14 year.

The basis of the weighted average across tariffs and meter type was the best method as 95% of the data was based on actuals, which provide the best assumption when apportioning the adjustments, time delays and variances between raw data and ring fenced accounts.

Table 3 Total annual retailer charges (TARC)

(a) Compliance with the requirements of the RIN

The information provided regarding Total Annual Retailer Charges (TARC) in Table 3 is consistent with the requirements of the Annual Reporting RIN, in that:

- the data has been gathered from reliable and objective data sources which are used in the normal course of TasNetworks' business;
- all revenue data reconciles to the Aurora Energy Pty Ltd regulated accounts for the period; and
- only those network charges billed by the distributor to all retailers have been utilised within this report.

(b) Information sources

Revenue charges as reported have been sourced from TasNetworks' financial system (Navision) and distribution billing system (DBill).

(c) Methodology and assumptions

The TARC represents all network charges billed by the distributor to all retailers for the period. TARC charges include the following items:

- Distribution charges
- Transmission charges
- Metering charges
- Unbilled use of system (UBUOS) charges
- Fee based services
- Unmetered supply charges.

The following adjustments have been made in the calculation of the TARC.

Metering

An adjustment has been made to metering income to remove revenue associated with PAYG metering services of $1.45M (this had been incorrectly allocated as ACS metering instead of unregulated revenue services). As such, $1.45M has been removed from the ACS metering segment and reallocated to unregulated distribution services revenue. This adjustment is consistent with the alternative control metering revenue in *Table 1. Income*.

Fee based services

The adjustments required for fee based services include the removal of $514,000 of connection charges which were incorrectly allocated as fee based services, these have been moved to capital contributions (note: there has been a change in classification of these services since the introduction of NECF).

An adjustment for fees in relation to PAYG meter alterations has also been made with $69,158 reallocated from fee based services to unregulated other revenue. An additional adjustment of $0.914M has been made to remove renewable energy connection income that was incorrectly classified as a fee based service in the financial system. This revenue is classified as a basic connection service and as such has been reallocated to capital contributions. These adjustments are consistent with the adjustments required for *Table 1. Income*.

(d) Estimated information

Unbilled use of system (UBUOS) charges have been estimated due to the majority of small customers having basic accumulation meters which are read on a quarterly reading cycle. Therefore, the unbilled revenue relating to these customers is estimated to 30 June 2014. The estimate accrual was generated by a Board approved methodology and model, which was developed by an external contractor (Deloitte).

The UBUOS was treated as an internal charge between Aurora's distribution business and retail business and should, therefore, be included in the TARC for the 2013-14 regulatory year.

3a. Capex - total

Table 1 Standard Control Services - capex by purpose
Table 2 Material difference explanation
Table 3 Capex by asset class
Table 4 Alternative control services capex
Table 5 Capital Contributions by asset class
Table 6 Disposals by asset class

(a) Compliance with the requirements of the RIN

The information provided about capex in Tables 1 - 6 is consistent with the requirements of the Annual Reporting RIN, in that:

- expenditure has been reported across service classifications in line with the AER approved CAM; and
- expenditure has been reconciled back to the audited statutory accounts.

(b) Information sources

The capital expenditure reported in Template 3 has been sourced from TasNetworks' financial system (Navision).

(c) Methodology and assumptions

There are a number of adjustments which have been made to the audited statutory accounts data to produce a regulatory view. These are as follows:

- a 'true up' of any under/over recovery of corporate and shared services expenditure has been allocated back against work category codes based on direct labour hours, in line with the AER approved CAM.

- an allocation of the cash movement in provisions during the year has been allocated against work category codes based on direct labour hours, in line with the AER approved CAM. This treatment is consistent with the methodology used to determine the allowance in the current regulatory control period determination.

Table 1 Standard Control Services – capex by purpose
Table 4 Alternative control services capex

Expenditure is captured in the financial systems at a detailed work category level (which is used to define the services being carried out). This data has then been mapped to the AER RIN service classifications according to the work category.

Expenditure incurred in relation to corporate and shared assets has been allocated across the service classifications in line with the AER approved CAM.

Table 2 Material difference explanation

The commentary provided in Table 2 has been sourced through analysis of expenditure against forecasted spend.

Table 3 Capex by asset class

Expenditure is captured in TasNetworks' financial system at a detailed work category level and allocated to each of the asset classes depending on the work category. A mapping template has been used to allocate costs to each asset class which is consistent with the methodology used for the current pricing determination submission.

Table 5 Capital Contributions by asset class

Contributions are captured in the financial system at a detailed work category level. The contributions by work category have then been allocated to the relevant asset class using a TasNetworks mapping template. This methodology is consistent with that used for the 2012 pricing determination submission. Where a customer contribution has not been assigned to a specific work category it has been applied on a pro rata basis across all work category codes.

Table 6 Disposals by asset class

Disposals reflect the proceeds from the sale of assets and have been sourced from the fixed asset register in TasNetworks' financial system (Navision).

3b. Capex - margins

(a) Compliance with the requirements of the RIN

TasNetworks is required to disclose any profit margins or management fees (Capex margins) paid directly or indirectly to related party contractors during the 2013-14 regulatory year which were not an actual incurred cost of the related party contractor.

TasNetworks does not have any related parties with which it has dealings and, therefore, did not pay any margins or management fees during 2013-14.

4. Capex Tax

Table 1 Tax standard lives - Standard control services

(a) Compliance with the requirements of the RIN

The information provided for Tax standard lives – standard control services is consistent with the requirements of the Annual Reporting RIN, in that:

- all relevant input cells in the template have been populated.

(b) Information sources

The standard asset lives data reported have been sourced from the post-tax revenue model (PTRM) in the AER's 2012-17 distribution determination (final decision).

5a. Maintenance - total

Table 1 Maintenance expenditure

(a) Compliance with the requirements of the RIN

The information provided regarding Maintenance expenditure is consistent with the requirements of the Annual Reporting RIN, in that the expenditure has been split into standard control, alternative control, negotiated and unregulated services in line with AER approved CAM. The expenditure has been reconciled back to the Audited Statutory Accounts.

(b) Information sources

The expenditure data reported in Template 5a has been sourced from TasNetworks' program-of-work management system (WASP), TasNetworks' Finance System (Navision) and TasNetworks' audited statutory accounts.

(c) Methodology and assumptions

The financial data has been extracted at a work category level to allow the information to be allocated in accordance with the RIN requirements.

The opex work categories are allocated RIN sub categories and service classifications (standard control, alternative control, negotiated and unregulated services) so that the information can be aligned with the RIN template tables.

Corporate and Shared Services costs have been allocated across the service classifications in line with the AER approved CAM.

Once the information has been reported in alignment with the RIN reporting requirement, the results are then reconciled to TasNetworks' statutory accounts. The adjustments are shown in TasNetworks RIN response and were minor in nature.

Table 2 Explanation of material differences

(a) Compliance with the requirements of the RIN

In explaining material differences between actual and forecast expenditures on asset maintenance, TasNetworks has complied with the requirements of the Annual Reporting RIN, in that:

- TasNetworks has provided explanations only in cases where the difference between forecast and actual expenditure shown in Table 1 is greater than ±10 per cent of forecast expenditure;
- the expenditure forecasts used for comparative purposes have been deflated by removing the impact of the AER's forecast inflation from the 2012-17 Distribution Determination and reinflated taking into account the impact of actual inflation outcomes;
- the forecasts used for comparative purposes have been adjusted to the same dollar terms as the actual data reported for 2013-14 in the RIN template; and
- the actual expenditure data reported in Template 5a has been drawn from reliable and objective data sources which are used in the normal course of TasNetworks' business.

(b) Information sources

The expenditure analysis undertaken in support of Table 2 drew on the 2012-17 Distribution Determination and the expenditure reported in Table 1 and sourced from TasNetworks' program-of-work management system (WASP), TasNetworks' Finance System (Navision) and TasNetworks' audited statutory accounts.

(c) Methodology and assumptions

Explanations of material differences have been provided on the basis of comparisons of actual to forecast expenditure. The forecasts used for comparative purposes are as per the 2012-17 Distribution Determination and have been adjusted to the same dollar terms as the actual data reported for 2013-14 in the RIN template.

Table 3 Other network maintenance costs

(a) Compliance with the requirements of the RIN

As no expenditure on 'other asset maintenance' reported in Table 1 represented more than five per cent of the total maintenance expenditure on standard control services during 2013-14, Table 3 was not required to be completed.

5b. Maintenance - margin

Table 1 Maintenance expenditure
Table 2 Explanation of material difference
Table 3 Other network maintenance costs

(a) Compliance with the requirements of the RIN

Template 5b requires TasNetworks to identify any related party that provided asset maintenance services to Aurora Energy during the 2013-14 Regulatory Year where a profit margin or management fee was paid directly or indirectly to the related party contractor(s) in question which was not reflective of the actual incurred cost of the related party contractor.

TasNetworks is not required to complete Template 5b as Aurora Energy did not conduct any reportable transactions with a related party during the 2013-14 regulatory year.

6a. Operating Activities - Total

Table 1 Operating charges and costs

(a) Compliance with the requirements of the RIN

The information provided for Operating expenditure is consistent with the requirements of the Annual Reporting RIN, in that the expenditure has been split into standard control, alternative control, negotiated and unregulated services in line with AER approved CAM. The expenditure has been reconciled back to the Audited Statutory Accounts.

(b) Information sources

The operating expenditure data reported in Template 6a has been sourced from TasNetworks' program-of-work management system (WASP), TasNetworks' Finance System (Navision) and TasNetworks' audited statutory accounts.

(c) Methodology and assumptions

The financial data has been extracted at a work category level to allow the information to be allocated in accordance with the RIN's requirements.

The opex work categories are allocated RIN sub categories and service classifications (standard control, alternative control, negotiated and unregulated services) so that the information can be aligned with the RIN template tables.

Corporate and Shared Services costs have been allocated across the service classifications in line with the AER approved CAM.

Once the information has been reported in alignment with the RIN reporting requirement the results are then reconciled to the statutory accounts. Any adjustments are shown in the RIN reporting template and are only minor in nature.

Table 2 Explanation of material difference

(a) Compliance with the requirements of the RIN

In explaining material differences between actual and forecast operating charges and costs, TasNetworks has complied with the requirements of the Annual Reporting RIN, in that:

- TasNetworks has provided explanations only in cases where the difference between forecast and actual expenditure shown in Table 1 is greater than ±10 per cent of forecast expenditure;
- the forecasts used for comparative purposes have been adjusted to the same dollar terms as the actual data reported for 2013-14 in the RIN template; and
- the actual expenditure data reported in Template 6a has been drawn from reliable and objective data sources which are used in the normal course of TasNetworks' business.

(b) Information sources

The expenditure analysis undertaken in support of Table 2 drew on the 2012-17 Distribution Determination and the expenditure reported in Table 1 was sourced from TasNetworks' program-of-work management system (WASP), TasNetworks' Finance System (Navision) and TasNetworks' audited statutory accounts.

(c) Methodology and assumptions

Explanations of material differences have been provided on the basis of comparisons of actual to forecast expenditure. The forecasts used for comparative purposes are as per the 2012-17 Distribution Determination and have been adjusted to the same dollar terms as the actual data reported for 2013-14 in the RIN template.

Table 3 Other network operating costs

(a) Compliance with the requirements of the RIN

The explanation of significant other network operating costs provided in Table 3 is consistent with the requirements of the Annual Reporting RIN, in that:

- TasNetworks has reported any items contributing to the other management costs reported in Table 1 which constitute more than five per cent of total standard control services operating costs in 2013-14.

(b) Information sources

The network operating costs reported in Table 3 were been sourced from TasNetworks' program-of-work management system (WASP and Finance System (Navision), and TasNetworks' audited statutory accounts.

(c) Methodology and assumptions

This table shows the breakdown of "Other Non-Network division management costs" in 2013-14 as these costs are greater than five per cent of standard control services operating costs.

Table 4 Operating Expenditure - Non-Recurrent Network Operating Costs

(a) Compliance with the requirements of the RIN

As no non-recurrent network operating costs reported in Table 1 represented more than five per cent of standard control operating costs in 2013-14, Table 4 has not been completed.

Table 5 Non–network alternatives (demand management) operating costs that are not captured by the DMIS ($ nominal)

(a) Compliance with the requirements of the RIN

The information provided about non-network alternatives in *Table 5 Non–network alternatives (demand management) operating costs that are not captured by the DMIS* is consistent with the requirements of the Annual Reporting RIN, in that:

- all fields have been completed for non-network projects which are applicable;
- only projects not covered by DMIS have been reported;
- the capital cost impacts were calculated from quotations or estimates made at the time of project initiation; and
- the assumptions made in generating these values have been provided in this Basis Of Preparation.

(b) Information sources

Past loading data was retrieved from TasNetworks' distribution SCADA management system –"PI Historian"

Future loading data was taken from TasNetworks' annual Feeder Forecast.

Financial estimates for augmentation deferral were sourced from external quotations by contractors and design estimations made internally by TasNetworks.

The amount of generation required for peak shaving purposes in the 2013-14 regulatory year was acquired through consultation with network operators.

(c) Methodology and assumptions

Projects have been identified where capital expenditure has been deferred or made unnecessary in the foreseeable future through a given non-network project. Projects have been excluded where they were initiated without a plan to defer capital expenditure, such as to improve reliability or as an alternative to capital expenditure where it would not have been possible to implement the capital expenditure soon enough.

For each project the current load forecast has been used to advise the projected year in which the augmentation would be again required, even with the non-network solution in place. The year of this future augmentation is taken as the end of the Project Life. For projects where the load has since reduced, and augmentation and the non-network solution is no longer required, it has been assumed that the project life ends during the year that the non-network solution is no longer required.

Bruny Island Cable upgrade deferral project

The cost to implement each network-based augmentation has been taken from quotes by external contractors or estimates made by the Network Planning team at the time of project initialisation.

Two cable options were costed by an internal designer. Of these, option 2 was the preferred option based on water depth and construction methodology. In addition it also provided an alternate route to supply the southern area of the island.

Impact on Demand in the current year

The impact on demand in the current year (2013-14) was determined by considering the amount of real power injected by the mobile generator during peak periods to avoid overloading the capacity rating of the submarine cable. It should be noted that the projects for the 2013-14 period have been reported with an Impact on Demand – Current Year Impact of 0 MW, as the load in this period was less than the forecast values and peak demand constraints were not exceeded.

Impact on Demand for the life of the project

The impact on demand over the life of the project has been determined by assessing the maximum output of the generator connection site, which is expected to be fully utilised by the End of Project Life.

Deferred capital cost for the life of the project

The Deferred Capital Cost for the Whole of Project Life was determined by taking the difference between the costs to install a network-based augmentation project at the time it was originally needed, and completing the augmentation at the end of the project life when brought forward to nominal 2013-14 dollars. The deferral benefit was determined by the net present value (scaling the installation costs by TasNetworks' WACC of 7.52%) over a 20 year period. The residual value of the cable at the end of the project life was discounted from the cost of each option.

The Deferred Capital Cost for the Current Year Impact was determined by dividing the Deferred Cost for the Whole of Project Life by the number of years between the project initiation and the projected Project Life end date, which was 20 years.

Deferral of capital expenditure which would have been completed by the TNSP part of TasNetworks has not been included. It is noted that there is no appropriate table equivalent to fill in for non-DMIS projects in the Transmission RIN.

6b. Operating activities - Margin

Table 1 Operating charges and costs
Table 2 Explanation of material difference
Table 3 Operating costs - Other standard control services
Table 4 Operating Expenditure - Non-Recurrent network operating costs

(a) Compliance with the requirements of the RIN

Template 6b requires TasNetworks to identify any related party with which a transaction was conducted during the 2013-14 Regulatory Year relating to the operating activities of Aurora Energy, where the reported expenditure included a profit margin or management fee paid directly or indirectly to the related party contractor(s) which was not an actual incurred cost of the related party contractor.

TasNetworks is not required to complete Template 6b as Aurora Energy did not conduct any reportable transactions with a related party during the 2013-14 regulatory year.

7. Avoided cost payments

(a) Compliance with the requirements of the RIN

The information provided in Template 7 regarding Avoided Cost Payments is consistent with the requirements of the Annual Reporting RIN, in that:

- all relevant input cells in the template have been populated; and
- the data has been gathered from reliable and objective data sources which are used in the normal course of TasNetworks' business.

(b) Information sources

The expenditure data reported has been sourced from TasNetworks' Finance System (Navision).

(c) Methodology and assumptions

There was only one payment made for avoided TUOS charges during 2013-14 and the details of that payment were sourced directly from TasNetworks' finance system, Navision.

8. Alternative Control Services and other services

(a) Compliance with the requirements of the RIN

The information provided about Alternative Control Services and Other Services in Table 8 is consistent with the requirements of the Annual Reporting RIN, in that:

- all relevant input cells in the template have been populated; and
- the data has been gathered from reliable and objective data sources which are used in the normal course of TasNetworks' business, except where noted in section (d) below.

(b) Information sources

Revenue numbers has been sourced directly from TasNetworks' financial system (Navision)

The allocation of revenue across services has been sourced from the following:

- directly from the financial system (where categorised at the required level); and
- monthly internal finance reports.

All costs have been sourced directly from the TasNetworks' financial system.

(c) Methodology and assumptions

Total revenue has been sourced from the internal finance system (Navision).

Navision does not categorise revenue across all of the various service classifications. Where revenue is not separately categorised in Navision, Monthly Retail Invoice Reports (which do categorise revenue) were summarised and reconciled to Navision. Due to a change in information systems, the Monthly Retail Invoice Reports were not produced in their usual form for the months March 2014 to June 2014. Data underlying the creation of the reports was available for these months, however the service delivery categories had changed and included non-fee based revenue services. A mapping exercise of RIN Revenue Categories versus those now being reported was undertaken to enable revenue amounts to be allocated to a service delivery.

Total costs (Opex and Capex) have been sourced from the internal finance system (Navision).

Direct Costs represent Total Costs less Overhead Costs. Overhead Costs have been allocated in line with the AER approved CAM.

Details for the following items have not been detailed as Fee Based Services in Template 8 – Alternative Control Services and Other Services:

- 'PAYG Meter Alteration' has been excluded as this service is treated as an Unregulated Service;
- 'Renewable Energy Connection' has been excluded as this is treated as a Standard Control Service (Basic Meter Alteration); and
- 'New Connections – Permanent Supply' have been excluded as this service is treated as a Standard Control Service.

No capital costs have been allocated to Fee Based Services other than the allocation of Corporate Overheads in accordance with the AER approved CAM.

9. Efficiency Benefits Sharing Schemes

Table 1 Opex for EBSS purposes

Table 2 Explanation of Capitalisation Policy changes

(a) Compliance with the requirements of the RIN

The information provided in Table 1 (Opex for EBSS Purposes) and Table 2 (Explanation of Capitalisation Policy Changes) in relation to the Efficiency Benefits Sharing Schemes (EBSS) is consistent with the requirements of the Annual Reporting RIN, in that:

- all relevant input cells in the template have been populated; and
- the data has been gathered from reliable and objective data sources which are used in the normal course of TasNetworks business.

(b) Information sources

The data in Table 1 was sourced from TasNetworks' Financial System (Navision).

(c) Methodology and assumptions

Debt raising costs

Tas Networks had no debt raising costs in 2013-14.

Superannuation defined benefit schemes

Costs incurred in relation to TasNetworks' obligations under the defined benefit superannuation scheme have not been included in TasNetworks' opex.

Non network alternatives costs

Expenditure against non-network work category codes has been sourced directly from Navision.

DMIA costs

These costs are sourced directly from *Table 11 DMIS-DMIA* in the annual reporting RIN.

Pass through event costs

TasNetworks had no pass through events for 2013-14.

GSL payments

GSL payment costs are sourced directly from *Table 6a Operating Costs* in the annual RIN.

Electrical safety inspection levy payments

These costs are sourced directly from Table 6a Operating Costs in the annual RIN.

NEM levy payments

These costs are as per Table 6a Operating Costs in the annual RIN.

NEM and retail contestability operating costs

These costs are sourced directly from tab 6a Operating Costs in the annual RIN.

Movements in provisions

The value included is for the cash movement in provisions for standard control opex only. As a result of the disaggregation of Aurora Energy Pty Ltd as part of the Tasmanian Government's reforms to the electricity supply industry in Tasmania (*Electricity Reform Act 2012*), there has been a one off adjustment to the opening provision balances for the distribution business. As part of the transfer notice order Aurora Energy undertook a process to allocate the 30th June 2014 balance sheet between its Retail and Distribution businesses. The purpose of this balance sheet split was to reflect the actual balances attributable to the Distribution business and Retail businesses as standalone businesses. This methodology is a change to that used to determine the movement in provisions in 2012-13 and also the methodology that was used for determining the AER allowance for movement in provisions over the regulatory period.

The previous methodology allocated the total provisions of the Aurora Energy between the Retail and Distribution business units on an FTE percentage basis. This change in the opening balance has resulted in a one-off non-cash increase to the Distribution business of $16.4M in total. For the purposes of the EBSS and determining the movement in provisions to be excluded for the calculation, TasNetworks has removed the non-cash transaction as it has not been included in the opex base to begin with. This is also consistent with the methodology used to determine the AER allowance (which was built up on a forecast of cash only movements in provisions). The provisions template in the Economic Benchmarking RIN response has reported the full movement (both cash and non-cash) in the interests of transparency, and reflects the real increase to TasNetworks' provision accounts upon disaggregation.

Capitalisation policy changes

There were no changes to TasNetworks' Capitalisation Policy in 2013-14. Therefore, Table 2 (Explanation of Capitalisation Policy Changes) does not need to be populated.

10. Jurisdictional scheme payments

TasNetworks currently has no jurisdictional schemes and therefore has not made any payments. This has been noted in the template and no values have been reported.

11. Demand management incentive scheme

Table 1 DMIA expenditure in the regulatory reporting year
Table 2 DMIA expenditure in the previous reporting year

(a) Compliance with the requirements of the RIN

The information provided about the Demand Management Incentive Scheme (DMIS) in Table 11.1 (DMIA expenditure in the regulatory reporting year) and Table 11.2 (DMIA expenditure in the previous reporting year) is consistent with the requirements of the Annual Reporting RIN, in that:

- all relevant input cells in the template have been populated;
- the data has been gathered from reliable and objective data sources which are used in the normal course of TasNetworks' business; and
- only those projects classified as Demand Management have been utilised within this report.

(b) Information sources

The data used to populate Tables 11.1 and 11.2 were sourced from TasNetworks' financial system (Navision).

(c) Methodology and assumptions

Raw data was sourced from the financial system for the relevant period. All projects with the demand management identifier (work category DMIAL (Demand management incentive allowance)) were extracted from the financial ledger.

An adjustment to the project titled "Audit of the Potential Capacity of Peak Demand reduction in C & I Sector Customers connected to the distribution network" (Navision job task no. P/016939) has been made to ensure that the true costs for this project are shown in the Regulatory Information Notice. A journal was incorrectly posted at 30 June 2014, removing $35,700 from this project and the RIN has been adjusted to ensure that this cost remains on the job. The other affected job has also been adjusted in turn (Network management job P/016979). Without this adjustment project P/016939 would be in credit for the year which would not be a true reflection of the project.

No capital expenditure was allocated to DMIS for FY14 or FY13.

12. Self insurance

Table 1 Self insurance events with incurred costs greater than $100,000
Table 2 Self insurance events with an incurred cost of less than $100 000
Table 3 Total self insurance relating to regulated assets

(a) Compliance with the requirements of the RIN

Neither Aurora Energy before it, nor TasNetworks, employs self insurance as a means of managing risk and covering possible losses. Therefore, Template 12 does not apply to TasNetworks and has not been populated.

13. Change of accounting policy (CHAP)

Table 1 Aggregate effects of changes in accounting policy
Table 2 Description and reason for changes in accounting policy

(a) Compliance with the requirements of the RIN

There were no changes made to TasNetworks' accounting policies during 2013-14, therefore, there are no values to report in Tables 1 and 2. This has been noted in the template.

14. Related party transactions

Table 1 Payments made to related parties under control or influential ownership
Table 2 Composition of margins in relation to table 1.

(a) Compliance with the requirements of the RIN

Template 14 (Table 1) requires TasNetworks to identify any related party with which a transaction was conducted during the 2013-14 Regulatory Year that related to the provision of standard control services, alternative control services or negotiated distribution services and provide details of those transactions.

TasNetworks is not required to complete Template 14 as Aurora Energy did not conduct any reportable transactions with a related party during the 2013-14 regulatory year.

15. Shared assets

Table 1 Total unregulated revenue earned with shared assets

(a) Compliance with the requirements of the RIN

The information provided in Template 15 (Shared Assets) is consistent with the requirements of the RIN, in that:

- all relevant input cells in the template have been populated; and
- the variables reported are based on reliable and objective data sources.

(b) Information sources

The data in Table 1 was sourced from TasNetworks' financial system (Navision).

(c) Methodology and assumptions

Pole rental is the only unregulated revenue earned from shared assets.

Table 2 Shared asset unregulated services and apportioned revenue

(a) Compliance with the requirements of the RIN

The information provided in Template 15 (Shared Assets) is consistent with the requirements of the RIN, in that:

- all relevant input cells in the template have been populated; and
- the variables reported are based on reliable and objective data sources.

(b) Information sources

The information reported in Table 2 was sourced from TasNetworks' financial system (Navision).

(c) Methodology and assumptions

NBN Pole rental is the only unregulated revenue earned from shared assets. Revenue for this service is based on the number of poles and set rates, meaning that no apportionment is required to derive this revenue.

1.1(b) Non-financial regulatory information

TasNetworks is required to submit to the AER detailed non-financial information relating to the performance of its electricity distribution network and customer service outcomes during the 2013-14 Regulatory Year. TasNetworks has provided that information using the Microsoft Excel Workbook attached to the AER's RIN at Appendix C. The following explanatory material describes, for all information in the Non-Financial Information Templates, the basis on which TasNetworks has prepared that information.

1a. STPIS Reliability

Table 1 SAIDI (System Average Interruption Duration Index)
Table 2 SAIFI (System Average Interruption Frequency Index)

(a) Compliance with the requirements of the RIN

The information provided about system reliability in Tables 1 and 2 is consistent with the requirements of the Annual Reporting RIN, in that:

- all relevant input cells in the template have been populated;
- the reliability statistics have been based on reliable and objective data sources used during the normal course of TasNetworks' business; and
- TasNetworks' reliability statistics have been calculated in accordance with the methodology approved by the AER.

(b) Information sources

The SAIDI and SAIFI statistics reported in Tables 1 and 2 respectively have been based on data sourced from TasNetworks' Spatial Data Warehouse (SDW), program-of-work management system (WASP) and asset history data warehouse.

(c) Methodology and assumptions

All reliability performance indices (SAIDI, SAIFI, MAIFI) have been calculated using disconnected kVA and kVA duration instead of disconnected customers and customer duration. The AER accepted the kVA weighted measure as a transitional reporting methodology for the current regulatory control period due to insufficient customer data to set STPIS targets on during the previous regulatory control period.

Queries were run on WASP and the SDW to extract a base data set of outages, outage assets, customers and distribution transformers for the 2014 financial year.

The outage data was then filtered to exclude any outages for the 2014 financial year which were not on mainland Tasmania (e.g. outages on Bass Strait Islands) with the outage impact measured by disconnected kVA and kVA duration instead of customers, as per TasNetworks' STPIS reporting requirements.

This data was then cleansed to ensure completeness of reliability areas, communities, feeders and kVA disconnected. All customer installation faults were given a nominal 8 kVA interrupted with corresponding kVA duration of 8 kVA x outage duration x 60. All other outages were manually inspected to identify issues and additional/missing information sourced from the asset history data warehouse. Where a transformer bordered on two reliability areas, the reliability area of highest value was chosen e.g. urban over high density rural.

SAIDI and SAIFI impacts on the reliability area and the system were then calculated.

A copy of outages from the 2008 to 2013 financial year periods were taken from previous RIN reports and used to calculate the MED threshold for the 2014 financial year using the 2.5 Beta method in the 2013-14 MED Threshold worksheet, with STPIS exclusions applied and only unplanned outages.

The daily system SAIDI for the 2014 financial year, excluding STPIS exclusions for unplanned outages, was calculated and daily SAIDI compared to the calculated MED threshold to determine which days were MEDs for exclusion.

Base outage data was then referenced back to 2013-14 system performance data to apply MEDs for the 2014 financial year to individual outages.

An extract of base outage data was used to determine reliability area and system SAIDI and SAIFI for the 2014 financial year.

(d) Estimated information

Because TasNetworks reports STPIS performance using kVA instead of customers, the disconnected kVA for individual customer installations must be estimated. A nominal figure of 8 kVA is used as analysis done in prior years determined this as a reasonable value on which to base estimates of customer kVA.

Table 3 Momentary Average Interruption Frequency Index (MAIFI)

(a) Compliance with the requirements of the RIN

The information provided about system reliability in Tables 3 is consistent with the requirements of the Annual Reporting RIN, in that:

- all relevant input cells in the template have been populated;
- the reliability statistics have been based on reliable and objective data sources used during the normal course of TasNetworks' business; and
- TasNetworks' reliability statistics have been calculated in accordance with the methodology approved by the AER.

(b) Information sources

The MAIFI statistics reported in Tables 1 and 2 respectively have been based on data sourced from TasNetworks' Spatial Data Warehouse (SDW), including information captured by TasNetworks' Network Operations Control System.

(c) Methodology and assumptions

All reliability performance indices, including MAIFI, have been calculated using disconnected kVA and kVA duration instead of disconnected customers and customer duration. The AER accepted the kVA weighted measure as a transitional reporting methodology for the current regulatory control period due to insufficient customer data from the previous regulatory control period on which to base TasNetworks' STPIS targets.

Momentary interruptions are not recorded for all feeders and TasNetworks is unable to determine all the causes of MAIFI.

Momentary interruptions caused by reclosers are automatically captured by TasNetworks' automatic download process for devices where communications are available. Momentary interruptions on circuit breakers are extracted from TasNetworks' Network Operations Control System on a quarterly basis.

A query was run to extract all momentary outages on TasNetworks' distribution network for the 2013-14 regulatory year with the outage impacts measured by disconnected kVA and customers, in line with TasNetworks' STPIS reporting requirements and Category RIN reporting obligations. Disconnected kVA and customers are based on network configuration at the time of running the query, not the configuration at the

time of the interruption, as the MAIFI calculation relies on TasNetworks' protection zone model, which is refreshed each day and does not store changes.

MAIFI for reliability areas and at a system level have been calculated by kVA disconnected divided by total reliability area kVA and system kVA.

Outage data from the 2008 to 2013 regulatory years was taken from previous RIN reports and used to calculate the MED threshold for the 2014 financial year using the 2.5 Beta method in the 2013-14 MED Threshold worksheet, with STPIS exclusions applied and only unplanned outages.

The daily system SAIDI for the 2014 financial year, excluding STPIS exclusions for unplanned outages, was calculated and compared to the calculated MED threshold to determine which days were to be excluded as MEDs.

MEDs for the 2014 financial year where then applied to momentary interruptions.

Base MAIFI data was then used to determine reliability area and system MAIFI for the 2013-14 regulatory year.

Table 4 Customer numbers

(a) Compliance with the requirements of the RIN

The information provided about customer numbers in Table 4 is consistent with the requirements of the Annual Reporting RIN, in that:

- all relevant input cells in the template have been populated;
- customer numbers have been compiled on the basis of reliable and objective data sources which are used during the normal course of TasNetworks' business; and
- customer numbers reflect the active NMIs in TasNetworks' distribution network at the beginning and end of the 2013-14 regulatory year.

(b) Information sources

The customer data in Table 4 has been drawn from a number of sources: TasNetworks' Spatial Data Warehouse, TasNetworks' billing system (DBill), GenTrack (TasNetworks' Market Data Management System) and TasNetworks' meter data management system (MDMS). poop

(c) Methodology and assumptions

A count of NMIs at the beginning and end of financial year was undertaken by reliability area.

Those queries excluded NMIs on the Bass Strait Islands and NMIs with a status of 'Extinct'.

A small volume of NMIs (mostly associated with Un-Metered Supplies) with unknown reliability areas were redistributed proportionally across the rest of the population of NMIs.

It is noted that there are discrepancies between the breakdown of customer numbers recorded for the start of 2013-14 in this Annual Reporting RIN and the Economic Benchmarking RIN for 2013-14, compared with the customer numbers previously reported for the end of 2012-13. This is due to an improvement in the methodology which was used to extract these numbers and attribute them to a customer type/class without the use of estimation.

Whereas the breakdown of customer numbers for previous RIN responses relied on the attributes recorded in the MDMS for each NMI, such as whether the supply was classified as HV or LV, industrial, commercial or residential, the customer numbers reported in this Annual Reporting RIN, as well as the Economic Benchmarking RIN (Distribution) for 2013-14, have been broken down between customer types/classes on the basis of the network tariff assigned to each NMI in TasNetworks' billing system.

Table 5 Average customer numbers (kVA)

(a) Compliance with the requirements of the RIN

The information provided about customer numbers in Table 4 is consistent with the requirements of the Annual Reporting RIN, in that:

- all relevant input cells in the template have been populated;
- the data reported in Table 4 has been compiled on the basis of reliable and objective data sources which are used during the normal course of TasNetworks' business; and
- connected kVA refers to the capacity of connected and active distribution network transformers at the beginning and end of the financial year.

(b) Information sources

The information in Table 4 was sourced from TasNetworks' Spatial Data Warehouse.

(c) Methodology and assumptions

The sum of connected kVA on mainland Tasmania at the end of the 2014 financial year was extracted from TasNetworks' Spatial Data Warehouse. The connected kVA for the beginning of the 2014 financial year was taken from 2013 STPIS performance compliance reporting data.

System kVA was calculated as the sum of the connected kVA for the reliability areas at the beginning and end of the 2013-14 regulatory year.

The average kVA for the year was calculated as the sum of connected kVA at the beginning of the year plus the sum of connected kVA at the end of the year, divided by two.

These average kVA values have been used for SAIDI and SAIFI calculations in the annual reporting RIN.

1b. STPIS Customer service

Table 1 Telephone answering

(a) Compliance with the requirements of the RIN

The information provided about telephone answering in Table 1 is consistent with the requirements of the Annual Reporting RIN, in that:

- the number of calls received reflects the number of calls to the fault line excluding calls to payment lines, calls to automated interactive services and calls abandoned by the customer within 30 seconds (which are not captured by TasNetworks' systems but estimated to represent 20 percent of all calls abandoned);
- the number of calls answered within 30 seconds has been taken from the time that a call enters the telephone system of TasNetworks' call centre and the caller speaks with an operator, excluding the time that callers are connected to an automated interactive service that provides substantive information;
- TasNetworks' call handling statistics have been compiled on the basis of reliable and objective data sources which are used during the normal course of TasNetworks' business; and
- all relevant input cells in the template have been populated.

(b) Information sources

The information presented in Table 1 was sourced from the call management system used by TasNetworks' fault centre (HiPath).

(c) Methodology and assumptions

Call performance data for 2013-14 includes the date, total calls received, total calls answered, total calls abandoned and the percentage of calls answered within 30 seconds.

The AER's instructions and definitions allow for calls abandoned within 30 seconds of being queued for response by a human operator to be excluded from the number of calls answered in 30 seconds. TasNetworks' call management system does not currently measure the time taken for a telephone call to be abandoned. Therefore, an estimate of the number of calls abandoned with 30 seconds was determined by taking 20 per cent of all calls abandoned, as per the AER's instructions and definitions, and excluding that figure from the total number of calls received.

The number of calls answered in 30 seconds was calculated by applying the percentage of calls answered within 30 seconds to the number of total calls answered on the day.

Major event days and other allowable exclusions as per the AER's STPIS guideline have been applied to these figures.

(d) Estimated information

TasNetworks' systems do not capture the number of calls abandoned by callers within 30 seconds and the number of calls abandoned has been estimated, as per the AER's instructions, on the basis of 20 per cent of the number of calls abandoned.

Table 2 New connections
Table 3 Streetlight repair

(a) Compliance with the requirements of the RIN

- TasNetworks has no performance or reporting obligations under STPIS in relation to new connections or street lighting repairs.

1c. STPIS Daily performance

Table 1 Daily performance data (unplanned)

(a) Compliance with the requirements of the RIN

The daily performance data provided in Table 1 is consistent with the requirements of the Annual Reporting RIN, in that:

- the number of calls received is the number of calls to the fault line excluding calls to payment lines, calls to automated interactive services and calls abandoned by the customer within 30 seconds (not measured so estimated as 20 percent of all calls abandoned);
- the number of calls answered within 30 seconds is the time taken to answer a call, measured from when a call enters the telephone system of the call centre to the moment that the caller speaks with an operator, but excluding the time that the caller is connected to an automated interactive service that provides substantive information;
- momentary interruptions due to feeder and feeder section outages are included (where available);

- outage exclusions are as per AER's STPIS instructions;
- MED calculation is as per the AER's STPIS instructions;
- TasNetworks' performance data has been compiled on the basis of reliable and objective data sources which are used during the normal course of TasNetworks' business; and
- all relevant input cells in the template have been populated.

(b) Information sources

The performance data reported in Table 1 has been sourced from multiple sources, including TasNetworks' Spatial Data Warehouse (SDW) and Spatial Data Warehouse History, TasNetworks' program-of-work management system (WASP) and the call management system used by TasNetworks' fault centre (HiPath).

(c) Methodology and assumptions

All reliability performance indices (SAIDI, SAIFI, MAIFI) have been calculated using disconnected kVA and kVA duration instead of disconnected customers and customer duration. The AER accepted the kVA weighted measure as a transitional reporting methodology for the current regulatory control period due to insufficient customer data having been gathered by Aurora Energy during the previous regulatory control period on which to base STPIS targets in the current control period.

SAIDI and SAIFI

Queries were run on WASP and the SDW to extract a base data set of outages, outage assets, customers and distribution transformers for the 2014 regulatory year.

The outages for the 2014 regulatory year on mainland Tasmania (e.g. excluding Bass Strait Islands) were then extracted, with the outage impact measured by disconnected kVA and kVA duration instead of customers, as per TasNetworks' STPIS reporting requirements. This data was then cleansed to ensure completeness of reliability areas, communities, feeders and kVA disconnected. All customer installation faults were given a nominal 8 kVA interrupted with corresponding kVA duration of 8 kVA x outage duration x 60. All other outages were manually inspected to identify issues and information sourced from the asset history data warehouse. Where a transformer bordered on two reliability areas, the reliability area of highest value was chosen, e.g. urban over high density rural.

SAIDI and SAIFI impacts at a reliability area level and the system as a whole were then calculated.

Network SAIDI and SAIFI were calculated by summing the total system SAIDI and SAIFI in the base outage dataset, without and with exclusions. These figures include major event days as they were not explicitly requested to be removed. This methodology is in line with the 2013 RIN submission.

Community SAIDI and SAIFI in worksheet 1c Table 1 were calculated by summing the community SAIDI and SAIFI in the Base Outage Data worksheet for that particular community area, without and with exclusions. These figures also exclude major event days.

MAIFI

Momentary interruptions are not recorded for all feeders and TasNetworks is unable to determine the causes of MAIFI.

Momentary interruptions caused by reclosers are automatically captured by TasNetworks' automatic download process for devices where communications are available. Momentary interruptions on circuit breakers are extracted from TasNetworks' Network Operations Control System (NOCs) on a quarterly basis.

Momentary outages on TasNetworks' distribution network for the 2014 financial year were extracted from TasNetworks' Spatial Data Warehouse, with the outage impact measured by disconnected kVA instead of customers, in-line with TasNetworks' STPIS reporting obligations.

Disconnected kVA for reclosers was already pre-calculated as part of standard MAIFI reporting. A second query was run on the historical spatial data warehouse to extract the connected kVA by feeder and reliability area at the beginning and end of the financial year to allow for disconnected kVA on circuit breakers. The outputs from this query were then extracted and the averages used for circuit breaker disconnected kVA.

MAIFI for reliablility areas and at a system level were calculated by kVA disconnected divided by total reliability area kVA and system kVA. These figures exclude major event days.

Customer Service

Call performance data is extracted on a monthly basis, and includes the date and time of every call received, answered, abandoned and service level.

Calls abandoned within 30 seconds are not measured by the current system so total received calls were adjusted to exclude calls abandoned within 30 seconds as per the AERs instructions of taking 20 per cent of calls abandoned.

Calls answered within 30 seconds are calculated by calls answered multiplied by the service level.

Major Event Days

Outages from the 2008 to 2013 regulatory years were taken from previous RIN reports and put into the Base MED Data worksheet. This data was then used to calculate the MED threshold for the 2014 financial year using the 2.5 Beta method in the 2013-14 MED Threshold worksheet, with STPIS exclusions applied and only unplanned outages.

The daily system SAIDI for the 2014 regulatory year, excluding STPIS exclusions and for unplanned outages, was calculated and the calculated MED threshold compared to daily SAIDI to determine which days were MEDs for exclusion.

(d) Estimated information

The number of calls abandoned within 30 seconds has been estimated due to a lack of recorded information.

1d. STPIS Guaranteed Service Level

There is no AER GSL scheme applying to TasNetworks during the current regulatory control period.

2. Customer service

Table 1 Quality of supply

(a) Compliance with the requirements of the RIN

The information provided about voltage variations in *Table 2.1 – Quality of supply* is consistent with the requirements of the Annual Reporting RIN, in that:

- the number of overvoltage events and number of customers receiving over voltage due to the various causes has been provided where available;
- variations in voltage at zone substations and at measurement points on feeders are provided where available. Where inaccurate information, or information derived from inaccurate data was present, these sites were regarded as not “measured”, as the reported value would not represent the actual number of variations.
- TasNetworks’ quality of supply data has been compiled from reliable and objective data sources which are used during the normal course of TasNetworks’ business; and

- all relevant input cells in the template have been populated.

(b) Information sources

Table 1, Elements 1, 2, and 4 were obtained through the customer advocacy claims database.

Table 1, Element 6 was obtained through the Customer Advocacy Tool (CAT).

For Table 1, Elements 7 to 14, information was obtained from TasNetworks' historical SCADA measurements of voltages, stored in PI Historian.

PI Datalink was used to extract the data from PI Historian using the sampled data function which interpolates the measured values.

(c) Methodology and assumptions

Elements 1 to 6

Element 1, the number of over voltage events due to high voltage injection, has been defined as the number of events where a complaint has been received by one or more customer.

Element 2, the number of customers receiving over voltage due to high voltage injection, has been defined as the number of customers dealt with through claims or insurance, by that event.

In future years, there will be a new event category for events and customer interactions as a result of high voltage injection that will be automatically recorded for reporting purposes.

Element 4, the number of customers receiving over voltage due to lightning, has been defined as the number of customers that have been dealt with for either claims or insurance, by that event. There is no capability for this information to be automatically extracted and the number of occurrences was determined by manually browsing records in the database for the word "lightning".

Element 6, the number of customers receiving over voltage due to voltage regulation or other cause is defined as the number of sites investigated where the complaint is verified as involving over voltage. This is consistent with the value reported in TasNetworks' OTTER Annual Regulatory Report for the same performance metric.

Elements 7 to 14

There are no power quality recording devices installed at any zone substations or on feeders in TasNetworks' Network, which means that it is not possible to record voltage variations that equal or are less than one minute in duration.

Zone Substations are defined according to the definition that Aurora Energy had applied in previous RINs, as being any substation that converts from a voltage at or above 33kV to a voltage below 33kV, but above 1kV. Under this definition, the Summerleas Zone substation has not been included as a substation because it was commissioned after 1 July 2013, and the full year's measurements are not available. It will be included in next year's RIN submission.

Substations that were previously owned by Transend Networks and fit this definition have not been included in this Annual Reporting RIN, but will be included in future years.

The inclusion of SCADA points as measurements has been done on the basis that the data is sufficiently precise and of high enough resolution that the number of voltage variations reported is representative of the actual number of variations.

Measurement locations were only considered to be measurements if the sampling period of the device is less than 1 minute for greater than 90% of the year. There is only one substation in TasNetworks' network that meets these requirements. TasNetworks is currently implementing a project to improve the resolution of its SCADA measurements to 4 seconds, which will be available for all zone substations in the future.

No recloser SCADA points were included as measurements, as the accuracy of their voltage transformers is +2.5% which is insufficient for the measurement of voltage variations.

A sampling duration of 10 seconds was selected to provide sufficient resolution in the time scale to record any violations (actual measurement resolution is between 10 and 60 seconds).

The sampled data function (which interpolates the measurements to 10 second intervals) was used because it allows the detection of likely variations that may not have been picked up using the compressed data function (which has inconsistent time sampling periods).

The standard nominal voltage range was assumed to be +/-6% from the standard voltages of 11kV or 22kV as specified in clause 8.6.4 of the Tasmanian Electricity Code.

For steady state voltage variations, a variation is considered to be an occurrence of seven or more consecutive sampled values outside the normal bandwidth.

If the voltage is outside the bandwidth, it is only recorded as a new variation if it returns inside the bandwidth for at least one sample period and makes another excursion outside the bandwidth.

Reductions in the measured voltages to 0V are not considered to be variations, as it indicates failure of secondary systems, or loss of supply.

Where there are two or more measurements at a zone substation or on a feeder, the aggregate number of variations is the OR function of the outages at the separate buses, i.e. a variation of both buses at the same time is considered to be one variation.

(d) Estimated information

For Elements 3 and 5 in Table 1, there is no formal process to link events to customer complaints.

The number of over-voltage events is defined as the number of customer claims or complaints, as appropriate, for those event types.

It has been assumed that for a given customer claim or complaint, the event that caused the claim or complaint was unique for that customer. This approach will overestimate the actual number of events for these event types, as multiple customer complaints may be attributable to a single event.

There is no process for linking the customer complaints to a single event. Attempting to perform this link by manually searching through the customer complaints and claims databases would be unreasonably time consuming and subject to human error. Therefore, the approach used here provides the best reasonable method for estimating the number of events of these types.

Table 2 Complaints - technical quality of supply

(a) Compliance with the requirements of the RIN

The information provided in *Table 2 – Customer Service* about complaints regarding technical quality of supply is consistent with the requirements of the Category Analysis RIN, in that:

- all relevant input cells in the template have been populated;
- the data refers to the complaints made by customers regarding technical quality of supply issues which resulted in an investigation by TasNetworks on their standard of service;
- the data provided relates to complaints from residential customers only; and
- the data has been sourced from reliable and objective data sources which are used during the normal course of TasNetworks' business.

(b) Information sources

The volume of customer complaints received in 2013-14 relating to technical quality of supply has been derived from records kept in the Customer Advocacy Tool, TasNetworks' customer complaint management tool.

(c) Methodology and assumptions

The data was extracted from Voltage and Radio Frequency complaints captured in the Customer Advocacy Tool. Each separate element type in Table 2 has been filtered in order to supply the individual inputs to apply in 2013-14.

Table 3 Customer service

Timely repair of faulty streetlights

(a) Compliance with the requirements of the RIN

The information provided in *Table 3 Customer Service* about street lighting repairs is consistent with the requirements of the Annual Reporting RIN, in that:

- all relevant input cells in the template have been populated; and
- the information and estimates used to populate Table 3 are based on data gathered from a reliable and objective data source which is used in the normal course of TasNetworks' business.

(b) Information sources

Data was compiled from the Service Order Management System (SOM) for all public lighting faults logged since the system went live on 7 March 2014.

(c) Methodology and assumptions

The count of faults for the four month period March to June 2014 was multiplied by 3 to provide an estimate of full year number of faults, as data pertaining to the preceding 8 months of 2013-14 was unable to be extracted from the system that was decommissioned after the SOM System went live.

The data captured included reported date and completed date and subtracting the reported date from completed date provided the days taken to repair each fault.

A count was made of the number of faults with a days to repair number greater than 9 days to provide the number of faults repaired by the fix date (multiplied by three to provide full year data). (9 days is used to allow for weekends, as TasNetworks' Customer Charter and the TEC require faults to be fixed within 7 business days).

Average days to repair is the average of the days to repair faults for the four month period, used as an estimate for the full year.

The number of lights was sourced from the public lighting Table 4.1 in TasNetworks' response to the 2013-14 Category Analysis RIN.

(d) Estimated information

The data for the four month period was used as an estimate of full year data.

Call Centre Performance

(a) Compliance with the requirements of the RIN

The information provided about call centre performance in *Table 3 Customer Service* is consistent with the requirements of the Annual Reporting RIN, in that:

- all relevant input cells in the template have been populated; and
- the data has been gathered from reliable and objective data sources which are used in the normal course of TasNetworks' business.

(b) Information sources

The data was sourced HiPath, a call management system that receives calls from the TasNetworks PABX and routes the call to the appropriate operator.

(c) Methodology and assumptions

HiPath collates the data and can demonstrate call volumes and wait times for calls that enter the fault queue. No assumptions are required to compile this data.

Customer complaints

(a) Compliance with the requirements of the RIN

The information provided in *Table 3 Customer Service* about the customer complaints is consistent with the requirements of the Annual Reporting RIN, in that:

- all relevant input cells in the template have been populated;
- the data refers to complaints made by customers regarding their: technical quality of supply, reliability of supply, customer service and connection issues that resulted in investigations by TasNetworks of their standard of service;
- the data relates to residential customers only; and
- the data has been gathered from a reliable and objective data source which is used in the normal course of TasNetworks' business.

(b) Information sources

The volumes of customer complaints to TasNetworks in 2013-14 have been derived from records kept in the Customer Advocacy Tool, which is TasNetworks' customer complaint management tool.

(c) Methodology and assumptions

The data was extracted from the customer complaints information captured in the Customer Advocacy Tool to populate the element (Customer complaint numbers) in Table 3. The volume of data pertained to all customer complaints resolved in 2013-14.

The data was filtered in order to identify each of the five individual complaint topics listed in Table 3.

3a. Feeder reliability

Table 1 Annual feeder reliability data

(a) Compliance with the requirements of the RIN

The information provided about customer numbers in Table 4 is consistent with the requirements of the Annual Reporting RIN, in that:

- the feeder reliability indices submitted in Template 3a are based on information drawn from reliable and objective data sources which are used during the normal course of TasNetworks' business;
- all relevant input cells in the template have been populated;
- TasNetworks has classified its distribution feeders as per the AER's instructions and definitions for feeder categorisation in the AER's STPIS scheme. Sub-transmission feeders have been excluded;
- energy not supplied was calculated using average feeder demand derived from feeder maximum demand and an estimated load factor, divided by the number of customers on the feeder (Economic Benchmarking RIN 3.6.2);
- TasNetworks has interpreted excluded events as those specified under clauses 3.3 and 5.4 of the AER's STPIS scheme;
- TasNetworks has interpreted momentary outages due to feeder outages as events that affected the whole feeder, e.g. operation of the feeder circuit breaker. Any feeder section outages have been excluded from the reported MAIFI, e.g. operation of a recloser; and
- TasNetworks has classified feeders as having low reliability as per the AER's instructions and definitions for the Annual Reporting RIN.

(b) Information sources

The information in Template 3a has been sourced from TasNetworks' Spatial Data Warehouse (SDW) and program-of-work management system (WASP) and TasNetworks' asset history data warehouse.

(c) Methodology and assumptions

Queries were run on WASP and the SDW to extract a base data set of outages, outage assets, customers and distribution transformers for the 2014 regulatory year.

All reliability performance indices (SAIDI, SAIFI, MAIFI) have been calculated using disconnected kVA and kVA duration instead of disconnected customers and customer duration for consistency with other reliability performance reporting in the Annual Reporting RIN. The AER accepted the kVA weighted measure as a transitional reporting methodology for the current regulatory control period due to insufficient customer data being captured during the previous regulatory control period on which to base STPIS targets.

Feeder ID/Name
Description of the Feeder Service Area
Length of High Voltage Distribution Lines (overhead)
Length of High Voltage Distribution Lines (underground)
Feeder kVA

Feeder attributes were extracted from TasNetworks' asset history warehouse and spatial data warehouse. For each feeder, this included the following information:

- Feeder ID/Name

- Description of the Feeder Service Area
- Length of High Voltage Distribution Lines (overhead)
- Length of High Voltage Distribution Lines (underground)
- Feeder kVA

Connected kVA by feeder was calculated as an average of connected kVA at the beginning of the financial year and the end of the financial year.

Feeder Classification

Feeder classifications were determined by applying the AER's feeder categorisation rules:

- Feeders were considered to be 'urban' if the maximum demand of the feeder divided by the total length of the feeder was greater than 0.3 MVA/km.
- Feeders were classified as 'Short Rural' if the maximum demand of the feeder divided by the total length of the feeder was less than or equal to 0.3 MVA/km and the total length of the feeder was less than or equal to 200km.
- Feeders were classed as 'Long Rural' if the maximum demand of the feeder divided by the total length of the feeder was less than or equal to 0.3 MVA/km and the total length of the feeder greater than 200 km.
- For feeders where there was no maximum demand available, their classification was manually assessed based on their location and the classification of other feeders from that substation.

Customer Numbers

A copy of the breakdown of customer numbers by feeder type from TasNetworks' Economic Benchmarking RIN response for 2013-14 (see *Table 3.4.2.3 Distribution customer numbers by Aurora feeder categories*) was extracted into a new worksheet *Feeder Customer Count in AR RIN Workings*.

Column D of worksheet 3a. Table 1 was populated using column D of Feeder Customer Counts.

Maximum demand (MVA)
Energy not supplied (unplanned and planned)

Feeder maximum demands, unplanned energy not supplied, and planned energy not supplied, were sourced from the Economic Benchmarking RIN, *Table 3.6.2 Energy Not Supplied*.

Feeder classification was undertaken as per the AER's feeder classification definition in Appendix G of the annual reporting RIN instructions and definitions.

Number of unplanned outages
Number of planned outages
Minutes off Supply and Interruptions
Unplanned customer minutes off supply (including excluded events and MEDs)
Unplanned customer minutes off-supply (after removing excluded events and MED)
Unplanned interruptions (SAIFI) (including excluded events and MEDs)
Unplanned interruptions (SAIFI) (after removing excluded events and MEDs)
Planned customer minutes off-supply (including excluded events and MEDs)
Planned customer minutes off-supply (after removing excluded events and MED)
Planned interruptions (SAIFI) (including excluded events and MEDs)
Planned interruptions (SAIFI) (after removing excluded events and MEDs)

Outages were sourced from TasNetworks' WASP outage tables, to provide the following items:

- Number of unplanned outages
- Number of planned outages
- Unplanned customer minutes off supply (including excluded events and MEDs)
- Unplanned customer minutes off-supply (after removing excluded events and MED)
- Unplanned interruptions (SAIFI) (including excluded events and MEDs)
- Unplanned interruptions (SAIFI) (after removing excluded events and MEDs)
- Planned customer minutes off-supply (including excluded events and MEDs)
- Planned customer minutes off-supply (after removing excluded events and MED)
- Planned interruptions (SAIFI) (including excluded events and MEDs)
- Planned interruptions (SAIFI) (after removing excluded events and MEDs)

Momentary Interruptions
Total number of momentary feeder outages
Momentary interruptions due to feeder outages (MAIFI) (including excluded events and MEDs)
Momentary interruptions due to feeder outages (MAIFI) (after removing excluded events and MEDs)

Momentary interruptions were sourced from TasNetworks' spatial data warehouse, to provide the following items:

- Total number of momentary feeder outages
- Momentary interruptions due to feeder outages (MAIFI) (including excluded events and MEDs)
- Momentary interruptions due to feeder outages (MAIFI) (after removing excluded events and MEDs)

Low Reliability Feeder (SAIDI)

Low reliability feeders were classified as per the AER's low reliability feeder definition in Appendix G of the annual reporting RIN instructions and definitions.

(d) Estimated information

Because TasNetworks reports STPIS performance using kVA instead of customers, the disconnected kVA for individual customer installations must be estimated. A nominal figure of 8 kVA is used, as analysis done in prior years determined this to be a reasonable value to use to estimate customer kVA.

Momentary interruptions are not recorded for all feeders and TasNetworks is unable to determine the causes of MAIFI. Disconnected kVA for MAIFI is based on network configuration at the time of running the query, not the configuration at the time of the interruption as the MAIFI calculation relies on TasNetworks' protection zone model, which is refreshed on a daily basis and does not store changes.

3b. Planned outages

Table 1 Planned outages

(a) Compliance with the requirements of the RIN

The information provided about planned outages in Template 3b is consistent with the requirements of the Annual Reporting RIN, in that:

- the feeder reliability indices submitted in Table 1 a are based on information drawn from reliable and objective data sources which are used during the normal course of TasNetworks' business; and
- all relevant input cells in the template have been populated.

(b) Information sources

The reliability indices relating to planned outages reported by TasNetworks in Template 3b draw on data obtained from TasNetworks' Spatial Data Warehouse (SDW) and program-of-work management system (WASP), as well as TasNetworks' asset history data warehouse.

(c) Methodology and assumptions

All reliability performance indices (SAIDI, SAIFI, MAIFI) have been calculated using disconnected kVA and kVA duration instead of disconnected customers and customer duration. The AER accepted the kVA weighted measure as a transitional reporting methodology for the current regulatory control period due to a lack of customer data from the previous regulatory control period to use as the basis of STPIS targets in the present regulatory control period.

Outage base data for the 2014 regulatory year was extracted from WASP and the SDW including, for each outage, outage assets, customers and distribution transformers, and filtered to remove outages which did not occur on mainland Tasmania (e.g. excluding Bass Strait Islands) with the outage impact measured by disconnected kVA and kVA duration instead of customers, as per TasNetworks' STPIS reporting requirements.

This data was then cleansed to ensure completeness of reliability areas, communities, feeders and kVA disconnected. All customer installation faults were given a nominal 8 kVA interrupted with corresponding kVA duration of 8 kVA x outage duration x 60. All other outages were manually inspected to identify issues and any missing information sourced from the asset history data warehouse. Where a transformer bordered on two reliability areas, the reliability area of highest value was chosen e.g. urban over high density rural.

Outage data from the 2008 to 2013 regulatory year periods was taken from previous RIN reports and used to calculate the MED threshold for the 2014 financial year using the 2.5 Beta method in the 2013-14 MED Threshold worksheet, with STPIS exclusions applied and only unplanned outages.

The daily system SAIDI for the 2014 financial year, excluding STPIS exclusions for unplanned outages, was calculated and daily SAIDI compared to the calculated MED threshold to determine which days during 2013-14 were MEDs for exclusion.

Those MEDs were then applied to individual outages during the 2014 regulatory year.

Base outage data was used to determine reliability area and system planned SAIDI and SAIFI for the 2014 regulatory year.

(d) Estimated information

Because TasNetworks reports STPIS performance using kVA instead of customers, the disconnected kVA for individual customer installations must be estimated. A nominal figure of 8 kVA is used, as analysis done in prior years determined this as a reasonable value to use to estimate customer kVA.

1.1(c) Adjustments to statutory accounts

In addition to the completed Financial Information Templates attached at Appendix B to the RIN, TasNetworks is required to provide the AER with a Microsoft Excel workbook that reconciles and explains adjustments between the Statutory Accounts and the Financial Information Templates, separately listing each adjustment made to derive the information submitted in the financial templates.

TasNetworks has provided the required explanatory material and in doing so specified the amount of each adjustment and described the nature and basis of the adjustment. The adjustments made to the statutory accounts in preparing the information presented in the Financial Information Templates are reproduced in the following table.

Journal Number/ Template Number	Account Debited / Account Credited	Income Statement		Balance Sheet	
		Debit	Credit	Debit	Credit
1	Fixed assets - additions			98,220	
1	Operating and maintenance expenses		98,220		
	This adjustment relates to the shift between opex and capex as a result of the ICAM adjustment (credit to DB) for an over charge in management accounts. This adjustment is split between opex/capex and external based on labour hours. In the statutory accounts the capex portion is treated as opex.				
2	Depreciation expense		(302)		
2	Fixed assets - provision for depreciation			(302)	
	Regulated Distribution depreciation as per RAB valuation				
3	Fixed assets (Provisions adjustment)			3,597,245	
3	Reserves				3,597,245
	Adjustment for non cash flow items in provisions movement - The RAB (Capex asset value) is adjusted for non cash flow items including the RBF actuarial adjustment and RBF interest, plus movement in provisions balances.				
4	*Income allocated to unregulated*		(32,706)		
4	*Income allocated to unregulated*	(32,706)			
5	*Expenses allocated to unregulated*	(24,065)			
5	*Expenses allocated to unregulated*		(24,065)		
6	Income Statement (Revenue)	(1,427,796)			
6	Income Statement (Revenue)		(1,427,796)		
	Solar Connections and other revenue incorrectly coded as Fee Based Services within the statutory accounts when they should have been customer contributions - just an internal costing change				

Journal Number/ Template Number	Account Debited Account Credited	Income Statement		Balance Sheet	
		Debit	Credit	Debit	Credit
7	Income Statement (Revenue)	(2,700)			
7	Income Statement (Revenue)		(2,700)		
	Customer contribution incorrectly coded in statutory accounts as quoted services rather than customer contributions				

The adjustments below relate to portions of the Statutory Accounts not allocated to Distribution Business.

Journal Number/ Template Number	Account Debited Account Credited	Income Statement		Balance Sheet	
		Debit	Credit	Debit	Credit
8	Income Statement (Revenue)		(1,086,102)		
8	Income Statement (Revenue)	(1,086,102)			
	Items not allocated to Distribution (Refer Regulators Workbook for further information)				
9	*Finance Charges not allocated to DB*	(54,533)			
9	*Finance Charges not allocated to DB*		(54,533)		
10	Income Statement (Expenses)	(1,098,341)			
10	Income statement		(1,098,341)		
	Items not allocated to Distribution (Refer Regulators Workbook for further information)				

1.1(e) Regulatory accounting principles and policies

In providing the financial information specified in Schedule 1 of the AER's Regulatory Information Notice, TasNetworks is required to adhere to the principles and requirements set out by the AER in Appendix A of the RIN. The following table records TasNetworks' compliance with the requirements of Appendix A.

Principle		Statement of compliance	Supporting information
1.	**General**		
1.1	(a)	TasNetworks' financial information presented in the RIN templates has been derived from its audited Statutory Accounts.	• Independent audit opinion.
	(b)	The financial information provided by TasNetworks' can be verified with reference to its audited Statutory Accounts.	• Independent audit opinion.
	(c)	TasNetworks' Regulatory Accounting Statements reflect the economic substance of transactions rather than their legal form.	• Independent audit opinion.
	(d)	TasNetworks' financial information includes only costs that have been incurred in or relate to the provision of standard control services, alternative control services, negotiated distribution services and unregulated distribution services.	• TasNetworks' regulatory accounts include only costs that have been incurred in or relate to the provision of distribution services that have been allocated to the Distribution Business as per TasNetworks' approved ICAM, and to service segments in accordance with TasNetworks' CAM.
	(e)	TasNetworks' financial information has been presented on a fair and consistent basis and reflects only those costs, revenues, assets and liabilities that may be reasonably attributed to TasNetworks.	• Costs, revenue, assets and liabilities have been reported as per TasNetworks' chart of accounts and agree with TasNetworks' audited statutory accounts. • Independent audit opinion.
	(f)	In so far as is reasonably practicable, TasNetworks' financial information has been prepared in accordance with the general rules and format, and use the accounting principles and policies applicable to the audited Statutory Accounts, except as otherwise required by the Regulatory Information Notice.	• Independent audit opinion.

Principle		Statement of compliance	Supporting information
	(g)	TasNetworks' financial information has been presented in an understandable manner, without compromising relevance or reliability.	• Independent audit opinion.
	(h)	TasNetworks' Regulatory Accounting Statements and financial information state fairly the financial position of TasNetworks, as at 30 June 2014.	• Independent audit opinion.
2.		**Cost allocation to the regulated distribution business**	
2.1		All costs in the audited Statutory Accounts that relate to or have been incurred in the provision of distribution services have been allocated to TasNetworks in accordance with paragraph 2.3 of Appendix A – Principles and Requirements.	• All costs that relate to or have been incurred in the provision of distribution services have been allocated to TasNetworks in accordance with paragraph 2.3 of Appendix A. • Audit opinion and audited statutory accounts.
2.2		All costs in the audited Statutory Accounts that relate to or have been incurred in the provision of distribution services and allocated to TasNetworks as per principle 2.1 have been allocated to a standard control service, alternative control service, negotiated distribution service or unregulated distribution service.	• All costs relating to or incurred in the provision of distribution services have been allocated to categories of distribution services in accordance with TasNetworks' approved CAM. • Independent audit opinion.
2.3	(a)	All costs allocated to TasNetworks under requirement 2.1 that are directly attributable to TasNetworks have been allocated to TasNetworks.	• All costs relating to or incurred in the provision of distribution services that are directly attributable to TasNetworks' Distribution Business have been allocated in accordance with TasNetworks' approved ICAM.
	(b)	All costs allocated to TasNetworks under requirement 2.1 that are not directly attributable to TasNetworks have been allocated to TasNetworks on a causation basis using an appropriate allocator (determined in accordance with Schedule 1 of the RIN), unless the item is not material.	• All costs relating to or incurred in the provision of distribution services that are not directly attributable to the distribution business have been allocated in accordance with TasNetworks' approved ICAM.
	(c)	All costs allocated to TasNetworks under requirement 2.1 that are directly attributable to TasNetworks but not directly attributable to a *standard control service*, *alternative control service*, *negotiated distribution service* or *unregulated distribution service* have been allocated across distribution services in accordance with TasNetworks' approved Cost Allocation Method.	• All costs allocated to TasNetworks' Distribution Business that are directly attributable to the Distribution Business but not a category of distribution service have been allocated to asset categories in accordance with TasNetworks' approved CAM.

Principle		Statement of compliance	Supporting information
	(d)	All fixed asset costs have been allocated to an Asset Category on either a directly attributable basis or a causal basis using appropriate allocators.	• Distribution fixed assets costs have been allocated to TasNetworks' Distribution Business either directly or on a causation basis in accordance with TasNetworks' approved ICAM and CAM.
	(e)	All operating and maintenance costs have been allocated to an Activity Area/cost category on either a directly attributable basis, or a causation basis using an appropriate allocator.	• Operating or maintenance costs allocated to a cost category on a directly attributable or causation basis have been allocated using the allocators set out in TasNetworks' ICAM and CAM.
3.	**Capital contributions**		
3.1		Customer capital contributions have been treated by TasNetworks in accordance with the method approved in the AER's 2012-17 Distribution Determination.	• Capital contributions have been recognised in line with TasNetworks' Customer Capital Contributions policy.
4.	**Regulatory Asset Base**		
4.1		No asset revaluations or adjustments for impairment have been made that have not been agreed to or required by the AER.	• A metering asset impairment was previously reported in TasNetworks' income statement in order to align the valuation of meters in TasNetworks' statutory accounts with the value of TasNetworks' metering assets at 1 July 2012, as determined by AER. The 2012-13 impairment was an estimate as final accounts were not closed so another smaller impairment was recorded in 2013-14 to align the valuation to the statutory accounts.
4.2		No asset revaluations or adjustments for impairment made in TasNetworks' audited Statutory Accounts have been reflected in TasNetworks' Financial Information templates.	• In the case of grid assets, TasNetworks' accounting policies require statutory asset values to align with regulatory asset values. • Therefore, asset revaluations and adjustments for impairment made in TasNetworks' statutory accounts (see metering asset impairment referenced in relation to Principle 5.2) have been reflected in TasNetworks' regulatory accounts.
4.3		Capital works expenditure has been allocated to the relevant asset categories and has not been shown as work-in-progress, and all expenditure on capital works has been allocated to an asset category.	• Capital work in progress has been included as part of capital additions based on an "as incurred" methodology. • Capital additions have been allocated to asset categories and the value of those additions aligned with TasNetworks' audited financial statements. • Independent audit opinion.

Principle	Statement of compliance	Supporting information
4.4	Goodwill and any related impairments have not been included in the Financial Information templates.	• Goodwill and impairment of assets have not been allocated to TasNetworks' Distribution Business, and are held by Aurora at the consolidated company level.
5.	**Avoided cost payments**	
5.1	All avoided cost payments made by TasNetworks to embedded generators relating to the deferral of augmentation of TasNetworks' distribution network and the transmission network in Tasmania have been disclosed.	
6.	**Regulatory accounting principles and policies**	
6.1	TasNetworks' regulatory accounting principles and policies are based on a recognisable and rational economic basis, and conform to the measurement principles of the Australian Accounting Standards.	• Overheads have been allocated to services based on TasNetworks' approved CAM.
7.	**Basis of preparation**	
	For all information in the financial information templates, as well as the non-financial information templates, TasNetworks has explained in a separate document the basis on which the information was prepared, and this explanatory material has been made available for the purposes of audit and review.	
8.	**Forecasts from the 2012-17 Distribution Determination**	
8.1	Forecasts from the 2012-17 Distribution Determination have been adjusted to the same dollar terms as the actual data reported in the financial information templates.	• Independent audit opinion.
8.2	Capital, maintenance and operating expenditure forecasts have been reported in nominal dollars from the 2012-17 Distribution Determination.	• Independent audit opinion.
8.3	Financial forecasts have been deflated by removing the impact of the inflation forecast by the AER in the 2012-17 Distribution Determination and reinflated on the basis of actual inflation outcomes.	• Independent audit opinion.

1.1(e) Capitalisation policy

Aurora Energy's capitalisation policy for 2013-14 is provided in Appendix A to this Basis of Preparation document.

There were no material changes in the capitalisation policy between the previous regulatory year (2012-13) and the 2013-14 regulatory year.

1.1(f) Overhead allocation under Cost Allocation Method

TasNetworks is required to provide a statement of the policy applied by Aurora Energy in the 2013-14 Regulatory Year for determining the allocation of overheads to service segments in accordance with the CAM approved by the AER for the current regulatory control period.

Overheads have been allocated to service segments in accordance with the approved CAM. The CAM encompasses both the method and policy for the allocation of costs.

1.2 Material changes in regulatory accounting principles and policies

There were no material changes in regulatory accounting principles and policies made in 2013-14.

1.3 Material changes in allocation of overheads

No material changes in the allocation of overheads were made in 2013-14.

1.4 Differences between actuals and forecasts

For each of the items listed in the following table, TasNetworks is required to identify any differences of greater than or equal to ±10 per cent between the amounts reported in the Financial Information Templates and the corresponding amounts provided for by the AER in the 2012-17 Distribution Determination, and provide details of the operational activities and/or drivers that caused each material difference.

Item	Forecast $'000 nominal	Actual $'000 nominal	Variance	Explanatory information
1.4(a) Total revenue[1]	279,813	277,188	0.94%	• Milder weather conditions, when combined with the impact of embedded micro-generation, have led to reduced levels of consumption by consumers and an under-recovery of DUoS revenue.
1.4(b) Total operating expenditure[2]	31,882	32,195	0.98%	• Operating expenditure variances from forecasts are detailed in *Template 6a. Operating Activities (T)* Table 1. Material differences between forecast and actual expenditure are explained in Table 2.
1.4(c) Total maintenance expenditure[3]	41,420	41,956	1.29%	• Maintenance expenditure variances detailed in *Template 5a Maintenance – total*, with material differences between forecast and actual expenditure explained in Table 2 (Material difference explanation).
1.4(d) Total capital expenditure[4]	125,167	111,857	-10.63%	• Capital expenditure variances are detailed in Table 1 of *Template 3a Capex - total*, with material differences between forecast and actual expenditure explained in Table 2 (Material difference explanation).

Notes to table

1, 2, 3 & 4 Applies to Standard control services only.

1.6 Differences between STPIS targets and actual performance

Following is an explanation of any material differences between the target performance measures specified by the AER under the Service Target Performance Incentive Scheme (STIPS)[1] and TasNetworks' actual performance in 2012-13.

The supply reliability categories used in the following tables are as defined in the Tasmanian Electricity Code and the performance targets are as per the Australian Energy Regulator's final determination of the SAIDI and SAIFI targets for Aurora's STPIS[2].

Supply reliability category	Reliability Index	Target	Actual	Variance	Explanation
Critical infrastructure	SAIFI	0.22	0.13	-0.09	• The critical infrastructure supply reliability category recorded a lower number of interruptions of shorter duration than the historical average. • This was due to a reduction in the number of 'can't find a cause' failures, underground cable failures and overload related failures.
	SAIDI	20.79	6.83	-13.96	
High density commercial	SAIFI	0.49	0.32	-0.17	• The high density commercial supply reliability category recorded a lower number of interruptions of short duration than historical average. • This was due to a reduction in the number of outages caused by connection failures, protection malfunctions and switchgear failures.
	SAIDI	38.34	27.66	-10.68	
Urban	SAIFI	1.04	1.21	0.17	• The urban supply reliability category recorded a higher number of interruptions of longer duration than historical average. • This was due to an increase in asset, vegetation and weather related failures.
	SAIDI	82.75	101.89	19.14	

1 Australian Energy Regulator, *Electricity distribution network service providers Service target performance incentive scheme*, November 2009.

2 Australian Energy Regulator, *Final Distribution Determination Aurora Energy Pty Ltd 2012–13 to 2016–17*, Section 12.1.4 Performance targets, April 2012.

Supply reliability category	Reliability Index	Target	Actual	Variance	Explanation
High density rural	SAIFI	2.79	3.00	0.21	• The high density rural supply reliability category recorded a higher number of interruptions of longer duration than the historical average. • This was due to an increase in asset, vegetation and weather related failures.
	SAIDI	259.48	289.29	29.81	
Low density rural	SAIFI	3.20	4.65	1.45	• The low density rural supply reliability category recorded a higher number of interruptions of longer duration than the historical average. • This was due to an increase in asset, fauna, vegetation and weather related failures.
	SAIDI	333.16	533	199.84	

2. Compliance

2.1 Classification of distribution services

Following is an explanation of the procedures and processes used by TasNetworks (formerly Aurora Energy) to ensure that its distribution services have been classified as set out by the AER in the 2012-17 Distribution Determination.

Cost capture and financial management systems

Aurora utilised a five-level hierarchical structure within its business management systems (BMS) for cost attribution against the general ledger chart of accounts:

1. Department: these are only used for internal business reporting and are not relevant to this methodology;

2. Activity: this defines expenditure as either capital works, operational activities or external works;

3. Work Program: there are multiple Work Programs for Aurora's capital works and operations;

4. Work Level: there are multiple Work Levels for each Work Program; and

5. Work Category: there are one or more work categories for each work level.

Each asset and work category is assigned to a category of distribution service as per the service classification hierarchy. By establishing a clear relationship between work categories and distribution services, the BMS ensures that costs are correctly attributed to the relevant distribution service. The work categories relate to operating expenditure or capital expenditure in accordance with Australian Accounting Standards. In this way, costs are automatically separated and allocated (at their source) to the appropriate distribution service category.

A work category describes all costs that apply to both regulated and unregulated activities. The work category dimension is at the base of the cost allocation hierarchy.

Each year, hundreds of thousands of transactions are automatically processed by the BMS. Aurora's chart of accounts and costing systems were established so that both operating expenditure and capital expenditure could be separately accounted for and reported in accordance with Aurora's CAM and regulatory reporting requirements.

The chart of accounts structure enabled costs to be automatically attributed directly to, or automatically allocated between, the categories of distribution services provided by Aurora.

All costs captured in the financial system have a unique job number, with each job number linked to the dimension string according to the type of work being registered. An example is – Job Z/15464 - pole replacements – which would have the following dimension string:

(SCS) Standard Control –

(NDR) Reliability and Quality Maintained -

(POLE) Reliability & Quality Maint Poles -

REPOL (Pole Replacements)

This enables reporting to the AER of the costs incurred against each of the service classifications (as set out by the AER in the 2012-17 Distribution Determination). The chart of accounts structure mentioned above enables costs to be automatically allocated directly to, or split between, the categories of distribution services provided by Aurora.

Aurora's BMS provides an integrated approach to tracking costs from their original source to their ultimate attribution or allocation, regardless of whether these costs originate inside or outside of Aurora. The original source of the costs may be labour timesheets, purchase orders, requisitions, or invoices.

Costs are charged to work categories on a full cost recovery basis and do not incorporate any internal margins.

Registration of project cost numbers and approval process

To ensure jobs are registered against the correct Work Category, Aurora employed a governance process which requires all POW jobs to be submitted to the Distribution Business Finance Team (Finance) for approval of the work category prior to the job being registered. The registering of jobs in the finance system was limited to the Finance and planning teams to avoid/minimise incorrect jobs being created. During this process a check is undertaken against the project approval form, which was prepared by the relevant asset engineer, and outlines the type of work to be performed and the justification for the work being undertaken. This ensures the work category selected matched the nature of the work to be performed, and that the job was registered against the appropriate category in the financial service classification hierarchy.

The project approval forms were also required to be approved by senior technical engineers prior to submission to Finance for registration of the job.

Reporting and monitoring of costs

Finance distributes monthly reports to each asset manager in relation to each job for which they are responsible, outlining the costs incurred and detailing transactions against each service classification (work category). A review of the costs is undertaken and any anomalies investigated (e.g. if any incorrect allocations of costs are identified).

Aurora established a program of work governance committee which consisted of senior management from across the business and included engineering, commercial and works management. The committee met monthly and provided commercial oversight over expenditure on Aurora's program of work, and monitored spending in accordance with the AER's service classifications. It also provided a forum to discuss future and current commercial and technical aspects of the business' investment decisions.

Quarterly expenditure reset/reforecast

Aurora undertook a detailed review of expenditure incurred against each service classification as part of the quarterly expenditure re-forecasting process. The purpose of this process was to reforecast the expected end of financial year spends. This process engaged stakeholders across the Business and provided an opportunity for detailed review and interrogation of the expenditure. This process assisted with providing comfort that costs were being captured in the financial system and reported against service classifications as appropriate.

Cost allocation methodology

Aurora ensured compliance with the AER approved CAM, which set out the methodology for allocating overheads to the different service classification types as determined by the AER. For each different overhead cost allocation pool (as per CAM) the process undertaken to ensure allocation of overheads was in accordance with the CAM as follows:

Network Services overheads (including a portion of Corporate and Shared Services costs)

- The CAM states that the recovery of this overhead cost pool against the service classifications must be based on the direct labour hours performed for each classification type.

- To ensure this occurred, WASP was updated with the appropriate overhead rate for each type of work. The system automatically applied the relevant overhead for each labour hour recorded on a job's timesheet, depending on the type of work.

- This was recorded in the financial system as *overhead applied*. As part of the month end process a reconciliation was performed to compare the actual hours worked for each category type and the overheads recovered against the actual overheads incurred. An adjustment was made for any variances.

Network Management costs

- The CAM states that the recovery of this overhead cost pool against the service classifications must be based on total spending on direct costs on each service classification.

- Network management costs were captured under the Network management work category codes, which enabled costs incurred in relation to Network Management to be easily extracted.

- As part of the month end process the value of Network Management costs were allocated across the forms of control based on the percentage spend of costs incurred YTD.

- Aurora had automated reports developed within the finance system to extract this data and allocate the costs accordingly.

Network Divisions Corporate and Shared Services costs

- The CAM states that the recovery of this overhead cost pool against the service classifications must be based on total operating spend.

- The Network Division's share of Corporate and Shared Services costs were allocated against work categories that define the expenditure as corporate costs.

- Similar to the process that occurred with the Network Management cost pool, as part of the month end process Network Corporate and Shared Services costs were allocated across the forms of control using the percentage of total operating spend as the driver.

- Aurora had automated reports within the finance system to extract this data and allocate the costs accordingly.

A final review was undertaken at financial year end to ensure the allocation of each cost pool is correct.

Regulatory adjustment (ICAM)

In order to reach the final distribution expenditure for reporting in the RIN, an adjustment would be made to the Distribution Business' expenditure as per the Statutory Accounts to account for the final value of corporate costs allocated to the Distribution Business. This adjustment represents the difference between the corporate costs allocated to the Distribution Business in the Statutory Accounts and the actual costs that should have been charged after the final true up is undertaken. In the Statutory Accounts any difference between the budget allocation of ICAM to the Distribution Business and the actual ICAM costs incurred were held in the corporate ledger and not allocated to the Business units. The ICAM adjustment was allocated to the service classifications by applying the same methodology and allocation driver as per the CAM and is reported in the RIN as an adjustment between the statutory accounts and distribution regulated expenditure.

2.2 Application of negotiated distribution service criteria

As part of its response to the Annual Reporting RIN for 2013-14, TasNetworks is required to document the procedures and processes used to ensure that the negotiated distribution service criteria, as set out in the AER's 2012-17 Distribution Determination, have been applied when determining prices for negotiated distribution services.

TasNetworks has only one form of negotiated distribution service during the 2012-17 Regulatory Control Period – the introduction of new public lighting technologies. Three new public lighting technologies were trialled during the 2013-14 Regulatory Year (32W CFL, 25W LED and 30 W LED). These technologies were installed as private contract lights with pricing negotiated using the existing pricing model used for the 2012 pricing determination, minus maintenance costs, as there was no maintenance during the trial period.

2.3 Identification of negative change events

When setting the general annual revenue cap which TasNetworks is allowed to recover from its customers in relation to the provision of distribution network services, the revenue cap for each regulatory year may include a pass through of the unforseen costs, or savings, arising from the occurrence of certain change events that have previously been defined as pass through events by the AER. Negative pass through events are change events that result in TasNetworks realising savings in the costs of providing direct control services and, under Chapter 6 of the National Electricity Rules, TasNetworks is required to submit written notification to the AER of a negative change event within 90 business days of becoming aware of the occurrence of such an event.

Following is a description of the process used in 2013-14 by TasNetworks' antecedent, Aurora Energy, to identify negative change events and the threshold of materiality applied by Aurora to negative change events.

Aurora undertook a quarterly review of all budgeted expenditure that was proposed for the relevant financial year. As a component of this review process an assessment was made of all projects that had an intended savings outcome of greater than $3 million for both the total operating and capital expenditure related to the project. This saving was required to be specific to the individual project and was then assessed against the 1 per cent materiality threshold set by the AER for Aurora's distribution determination. Where the project would result in savings greater than the 1 per cent materiality threshold, an application for a negative change event may be made to the AER in accordance with the provisions of the NER.

2.4 Ring-fencing compliance

Aurora Energy had compliance plans in place in accordance with its licence and there were no non-compliances with the Office of Tasmanian Energy Regulator's *Guideline for ringfencing in the Tasmanian Electricity Supply Industry* during the 2013-14 regulatory year.

3. Cost allocation to the distribution business

All costs recorded in TasNetworks' audited statutory accounts that relate to or are incurred by TasNetworks in the provision of distribution services must be allocated to TasNetworks in its capacity as a regulated distribution business, for the purposes of the Regulatory Accounting Statements submitted by TasNetworks in response to the RIN.

3.1(a) Costs allocated on a causation basis

TasNetworks is required to identify items in its Regulatory Accounting Statements that for the 2013-14 Regulatory Year have been allocated to its distribution business on a causation basis, rather than a directly attributable basis, and explain the basis on which this was done.

Item 3.1(a): Costs allocated on a causal, rather than direct basis			
Cost item	**3.2(a) Amount**	**3.2(b) Allocation method & rationale**	**3.2(c) Allocator(s)**
People & Culture	$2,787,609	The costs associated with TasNetworks' People and Culture Division (which provides recruitment, payroll, safety management and performance management services across the corporation) are allocated to TasNetworks' Distribution Business on the basis of employee numbers. The number of FTEs working in each division was chosen as the allocator for People and Culture costs on the basis that it reflects the amount of effort that the People and Culture Division would reasonably put into providing services to each division and the use of the relevant services by each division.	The number of FTEs that primarily work for a specific division
Treasury Operations - Insurance	$1,351,490	The total cost of insuring TasNetworks' owned buildings, substation assets and buildings, and any minor assets selected for insurance, has been allocated to TasNetworks' Distribution Business on the basis of the percentage of the total insured assets that are owned by the Distribution Business.	Insured Property Asset Values

Item 3.1(a): Costs allocated on a causal, rather than direct basis			
Cost item	**3.2(a) Amount**	**3.2(b) Allocation method & rationale**	**3.2(c) Allocator(s)**
Accounts Payable	$472,373	The costs associated with TasNetworks' centralised accounts payable facility are shared between TasNetworks' divisions on the basis of the volume of external invoices processed on behalf of each division, as a percentage of the total volume of invoices received from external suppliers. (Internal transactions are excluded on the basis that they are executed by journal entries and do not involve the making of a payment). The use of invoice volumes was adopted as the most appropriate allocator of these costs. The number of invoices pertaining to each division is also able to be reliably identified without incurring undue cost, using TasNetworks' existing financial and transactional systems.	Number of invoices over 12 months requiring payment of an external party.
Information Management	$572,359	The costs associated with the provision of TasNetworks' electronic document management system and physical document management function are allocated to the Distribution Business based on the number of personal computers in use within the Division, as a proportion of the total number of PCs in use throughout the organisation. When developing TasNetworks' ICAM, it was considered that there is a strong causal link between the number of PCs in service within each division and the work load and direct costs associated with the provision of shared document management services, and the number of PCs also reflects the size and cost of the storage environment required to service each division.	Number of PCs
Information Technology	$14,763,960	The number of PCs in use within each division reflects the strong causal link between the number of TasNetworks people who use PCs and the work load and direct cost to deliver information technology to the business.	Number of PCs
Facilities Management	$5,222,666	The costs of operating and managing all owned and leased sites occupied by TasNetworks employees is allocated between TasNetworks' divisions on the basis of the floor space occupied by each division, as a percentage of the total. Floor space was selected because it was held to reflect the level of resources and effort applied to property management.	Occupied floor space

Item 3.1(a): Costs allocated on a causal, rather than direct basis			
Cost item	**3.2(a) Amount**	**3.2(b) Allocation method & rationale**	**3.2(c) Allocator(s)**
Contracts	$756,457	Under TasNetworks' approved ICAM, the cost associated with providing centralised contract administration services is allocated between TasNetworks' Divisions on the basis of the dollar value of the contracts entered into by each division, relative to the total value of contracts entered into by the business as a whole. The monetary value of the contracts entered into by each division is considered to be reflective of the overall volume of contracts, their complexity and the corresponding resource effort involved in establishing, maintaining and finalising contracts for each division and subsidiary. The contracts entered into by each division and their value are also able to sourced from TasNetworks' financial systems, enabling the allocator for this cost item to be developed reliably and cost effectively.	Dollar value of contracts
Procurement	$240,652	The costs associated with the management and delivery of TasNetworks' procurement processes are shared between divisions on the basis of the dollar value of the procurement contracts entered into by each division (during the course of a year), as a proportion of the total value of procurement contracts . The value of procurement contracts is taken to reflect the overall volume of purchasing undertaken by each division, on the basis that all goods and services are purchased through contracts with suppliers.	Dollar value of procurement contracts

3.1(b) Costs allocated other than on a direct or causation basis

TasNetworks is required to identify those items in its Regulatory Accounting Statements for the 2013-14 Regulatory Year that were not allocated to its distribution business on a direct basis, and were also unable to be allocated on a causation basis. For each item identified, TasNetworks is required to explain the reasons why causal allocation could not be applied, indicate the materiality of the amount in question, and the means by which the cost was actually allocated.

Item 3.1(b): Costs allocated other than on a causal or direct basis				
Cost item	**3.3(a) Amount**	**3.3(b) Materiality**	**3.2(c) Allocation method & rationale**	**3.2(d) Reasons for non-causal allocation**
Office of the CEO	$2,491,829	Office of the CEO costs are deemed to be material on the basis that the allocation is greater than 10% of the total ICAM allocation to the Distribution Business.	The costs associated with centralised management and the provision of administrative support for the CEO and the TasNetworks' Board of Directors are allocated between divisions on the basis of the weighted average of the total cost allocations that have a causal driver. This allocator is used because it reflects the strategic business management focus of the CEO and the Board on each division.	While shared services costs are allocated between divisions using causal cost drivers, reflecting the generally variable nature of these costs, corporate costs are allocated using non-causal cost drivers because of the generally fixed nature of these costs, and the fact that they tend to be driven by corporate governance requirements rather than business activity. A review of TasNetworks' Corporate and Shared Services Cost Allocation by Deloitte in 2010 found that the weighted average of the total cost allocations that have a causality driver is an effective non-causal allocator of corporate costs because it leverages causal allocators and is based on sound causal data, which is in turn underpinned by reliable and objective data sources.

Item 3.1(b): Costs allocated other than on a causal or direct basis				
Audit & Risk	$710,412	Audit and risk costs are deemed to be immaterial on the basis that they represent less than 10% of the total ICAM allocation to the Distribution Business.	The costs associated with TasNetworks' centralised audit and risk management functions are allocated between divisions on the basis of the weighted average of the total cost allocations that have a causal driver. This allocator is used because audit and risk related costs are largely determined by corporate governance requirements and it is difficult to find a driver with strong causality for this type of cost.	Corporate costs are typically allocated using non-causal cost drivers because of the generally fixed nature of these costs, and the fact that they tend to be driven by corporate governance requirements. The use of the weighted average of the total cost allocations that have a causality driver leverages those causal allocators and is based on sound causal data, which is in turn underpinned by reliable and objective data sources.
Group Finance and Corporate Affairs	$2,462,793	Group Finance and Corporate Affairs costs are deemed to be immaterial on the basis that they represent less than 10% of the total ICAM allocation to the Distribution Business.	The costs associated with provision of strategic financial advice, financial compliance processes and business analysis across the organisation are allocated between divisions on the basis of the weighted average of the total cost allocations that have a causal driver. This allocator is used because, as noted in the approved ICAM, it reflects the relationship with the major clients the CFO, the CEO and the Board.	Corporate costs are typically allocated using non-causal cost drivers because of the generally fixed nature of these costs, and the fact that they tend to be driven by corporate governance requirements. The use of the weighted average of the total cost allocations that have a causality driver leverages those causal allocators and is based on sound causal data, which is in turn underpinned by reliable and objective data sources.

Item 3.1(b): Costs allocated other than on a causal or direct basis				
Treasury Operations	$832,476	Treasury operating costs are deemed to be immaterial on the basis that they represent less than 10% of the total ICAM allocation to the Distribution Business.	The costs associated with TasNetworks' treasury operations are allocated between divisions on the basis of the weighted average of the total cost allocations that have a causal driver. As noted in the approved ICAM, the use of this allocator reflects the relationship with the major clients the CFO, the CEO and the Board.	While shared services costs are allocated between divisions using causal cost drivers, reflecting the generally variable nature of these costs, corporate costs are allocated using non-causal cost drivers because of the generally fixed nature of these costs, and the fact that they tend to be driven by corporate governance requirements rather than business activity.
Legal services	$737,172	The cost of Legal Services is deemed to be immaterial on the basis that it represents less than 10% of the total ICAM allocation to the Distribution Business.	The weighted average of the total cost allocations with a causal driver is used to share legal services costs between divisions on the basis that there is no identified causal relationship between the costs associated with the provision of legal services, primarily labour, and the divisions.	Legal services costs have been allocated using non-causal cost drivers because of the generally fixed nature of these costs, and the fact that they tend to be driven by corporate governance requirements rather than business activity.
Strategy and Corporate Affairs	$2,050,714	Strategy and Corporate Affairs costs are deemed to be immaterial on the basis that they represent less than 10% of the total ICAM allocation to the Distribution Business.	The costs associated with developing business strategy, market monitoring, policy development and public affairs and external relationship management is shared between TasNetworks' divisions on the basis of the weighted average of the total cost allocations that have a causal driver.	Strategy and corporate affairs costs have been allocated using non-causal cost drivers because of the generally fixed nature of these costs, and the fact that they tend to be driven by corporate governance requirements.

4. Cost allocation to service segments

All costs relating to or incurred in the provision of distribution services and allocated to Aurora's distribution business in 2013-14 are required to be allocated to a service segment.[3] All costs allocated from the distribution business to a service segment must be allocated in accordance with the cost allocation methodology approved by the AER.

There are a number of means by which costs may be allocated to service segments and items 4.1 to 4.3 in Schedule 1 of the RIN require TasNetworks to explain the basis on which costs that were not directly attributable to a service segment(s) have been allocated between service segments for the 2013-14 Regulatory Year.

4.1(a) Costs allocated to service segments on a causation basis

TasNetworks is required to identify any items in its Regulatory Accounting Statements for the 2013-14 Regulatory Year that have been allocated from its distribution business to a service segment on a causation basis, rather than a directly attributable basis, and explain the basis on which this was done.

4.1(a) Costs allocated to service segment on a causal, rather than direct basis

Cost item	4.2(a) Amount	4.2(b) Allocation method & rationale	4.2(c) Allocator(s)
Network Services Management Overheads (Opex and External costs)	$18,693,162	The Network Services Overheads cost pool is allocated between Distribution Services classifications on the basis of direct labour hours sourced from the Program of Works.	Direct labour hours sourced from the Program of Works.
Network Divisional Management (Opex)- *(Excludes Capitalised Labour of $8,140,476)*	$29,376,594	Divisional management costs incurred in the planning, operating and monitoring the distribution network, including the delivery of its capital program to ensure the capacity, sustained integrity and long-term value, market services (including meter services) data management and regulatory and financial management of regulated and unregulated distribution services. These costs are allocated on the basis of total spend (Capex and Opex) of direct and other OH's	Uncapitalised Network management labour and other Network management costs are allocated on the basis of total spend (Capex and Opex) of direct and other overheads.

[3] Service segment refers to standard control services, alternative control services and negotiated services.

4.1(a) Costs allocated to service segment on a causal, rather than direct basis			
Cost item	**4.2(a) Amount**	**4.2(b) Allocation method & rationale**	**4.2(c) Allocator(s)**
Network Division Corporate & Shared Service Costs -ICAM *(Does not include non causal of $3,051,008 included in table below)*	$8,579,986	TasNetworks Corporate & Shared Services Costs can be described as services that contribute to the direction of TasNetworks and provide appropriate governance to support TasNetworks purpose. Corporate & Shared Services Costs primarily sustain the Board and operation of the Company management framework. Corporate & Shared Services Costs are allocated on a causal basis unless a causal relationship cannot be established without undue cost and effort. Aurora/TasNetworks' approved ICAM is used to allocate corporate and shared services costs.	Allocated on the basis of total direct opex. ICAM costs have been allocated to the Distribution business in accordance with the approved ICAM methodology.
Network Services Divisions Management Cost - Corporate & Shared Services (ICAM) *(Does not include non causal of $3,439,661 included in table below)*	$10,570,458	Network services portion of Corporate and shared services are allocated to work categories based on direct labour hours.	Allocated on the basis of direct labour hours.

4.1(b) Costs allocated to service segments other than on a direct or causation basis

TasNetworks is required to identify any items in its Regulatory Accounting Statements for the 2013-14 Regulatory Year that were not allocated from its distribution business to a service segment on a direct basis, and were also unable to be allocated on a causation basis. For each item identified, TasNetworks is required to explain the reasons why causal allocation could not be applied, the materiality of the amount in question, and the means by which the cost was actually allocated to a service segment.

4.1(b) Costs allocated to service segments other than on a causal or direct basis				
Cost item	**4.3(a) Amount**	**4.3(b) Materiality**	**4.3(c) Allocation method & rationale**	**4.3(d) Reasons for non-causal allocation**
Network Management Labour (Capex)	$8,140,476		Allocated based on Managerial estimate of the capital percentage allocation of each of FTE/ group. This is based on knowledge of work to be undertaken and historical data.	Allocated based on percentage spend (capital).
ICAM (weighted average) Network services portion	$3,439,661		Items allocated on non casusal basis to the Distribution business include OCEO, Audit and risk, Group Finance, non insurance part of treasury, legal and strategy & corporate affairs.	Allocated based on weighted average method.
ICAM (weighted average) Network Divisional Management portion	$3,051,008		Items allocated on non casusal basis to the Distribution business include OCEO, Audit and risk, Group Finance, non insurance part of treasury, legal and strategy & corporate affairs.	Allocated based on weighted average method.

5. Related party transactions

TasNetworks is required by the AER to identify any related party with which a transaction of greater than $100,000 in value was conducted during the 2013-14 Regulatory Year that related to the provision of standard control services, alternative control services or negotiated distribution services, and provide details of those transactions.

Based on an AER definition, TasNetworks has defined a related party as another entity that at any time during the 2013-14 Regulatory Year:

- had or, would be expected to have had, control or significant influence over Aurora Energy; or
- was, or would be expected to have been subject to control or significance by Aurora Energy; or
- which was controlled or significantly influenced by another entity that also controlled Aurora Energy.

Financial institutions, authorised trustees corporations, fund managers, trade unions, statutory authorities, government departments or local governments have not been considered as related parties.

On this basis, TasNetworks does not consider the Hydro-Electric Corporation or Transend Networks Pty Ltd to have been related parties.

Aurora Energy did not conduct any reportable transactions with a related party during the 2013-14 regulatory year.

6. Capitalisation policy

Aurora Energy's capitalisation policy for 2013-14 is provided in Appendix A to this Basis of Preparation document.

There were no material changes in the capitalisation policy between the previous regulatory year (2012-13) and the 2013-14 regulatory year.

7. Demand Management Incentive Allowance

Under the AER's Demand Management Incentive Scheme (DMIS) , in addition to the general annual revenue cap which TasNetworks is allowed to recover from customers in return for the provision of Tasmania's distribution network and network connection services, TasNetworks is permitted to recover a fixed amount of additional revenue – the Demand Management Innovation Allowance (DMIA) – as a contribution towards the cost of implementing non-network alternatives to network augmentation, or measures that shift or reduce the demand from customers for network and/or connection services.

As part of its response to the AER's RIN for 2013-14, TasNetworks is required to report any expenditure on demand management measures undertaken under the DMIS, and demonstrate how each project or program complies with the DMIA criteria set out in the DMIS. This information will form the basis of the AER's assessment of TasNetworks' compliance with the DMIA criteria, and its entitlement to recover expenditure on those demand management initiatives under the DMIS.

7.1 Demand management projects or programmes for which approval is sought

Direct load control of uncontrolled hot water heating

The contribution of uncontrolled electric domestic water heating to network peak demand in Tasmania is significant. Ranging from 19% - 30% on weekday mornings and 16% - 19% on weekday evenings, as a percentage of the total domestic load.

The purpose of this project is the development of a Hot Water Demand Evaluation Tool in order to provide the capability to accurately model and predict the extent of demand reduction (both by location and demographics) that may be achieved through the control of residential electric storage hot water systems.

The tool shall assist in the design of a future load management program which achieves the maximum peak demand reductions whilst ensuring negligible impact on customer comfort levels.

Battery storage and embedded generation on Bruny Island

The purpose of this project was to research and model an integrated solution of load management, energy storage, static voltage control and backup diesel generation, to address a specific area of the distribution network (Bruny Island) that has limited capability to meet required service levels. The integrated solution provides capability to allow modelling the connection of renewable energy resources, such as wind and solar, to determine impacts on system performance.

Commercial and industrial peak demand reduction

This project entails the execution of a state-wide Commercial and Industrial (C&I) load survey to identify the characteristics of the principal C&I customers (and customer groups) connected to the distribution network. The survey will also identify the demand management potential which may be realised by C&I customers. This survey will be used to determine the ultimate scope of the C&I demand management program and the benefits which could be realised from the program.

7.2 Explanatory material regarding demand management projects and programmes

TasNetworks notes the AER's advice that that the information provided below is intended to satisfy TasNetworks' annual reporting obligations for the purposes of paragraph 3.1.4.1 of the AER's *Demand management incentives scheme – Aurora Energy – Regulatory Control Period commencing 1 July 2012*, October 2010.

7.2(a)(i) Compliance with DMIS section 3.1.3 criteria

Direct load control of uncontrolled hot water heating

The development of a Hot Water Demand Evaluation Tool complies with the DMIA criteria detailed in section 3.1.3 of the demand management incentive scheme in that:

- the purpose of the project is to shift and/or reduce demand for standard control services through the management of demand, rather than increase supply through network augmentation;
- the project aims to reduce demand for standard control services across TasNetworks' distribution network, rather than at a specific point in the network, by targeting a reduction in the contribution to morning and evening peaks in demand from residential network users;
- the project is designed to build demand management capability and capacity by exploring a new and potentially efficient demand management mechanisms; and
- the cost of the project was not included in the forecast capital or operating expenditure approved in the 2012 Distribution Determination, and is not recoverable under any other jurisdictional incentive scheme or other State or Commonwealth Government schemes.

Battery storage and embedded generation on Bruny Island

The use of non-network solutions to address a constrained network area on Bruny Island complies with the DMIA criteria detailed in section 3.1.3 of the demand management incentive scheme in that:

- the project's objective is to address specific network constraints by reducing demand on the network at the location and time of the constraint using non-network alternatives, rather than increasing supply through network augmentation;
- the project is designed to build demand management capability and capacity by exploring new and efficient demand management mechanisms; and
- the costs associated with the project are not recoverable under any other jurisdictional incentive scheme or State or Commonwealth Government scheme, and were not be included in forecast capital or operating expenditure approved in the distribution determination for the current regulatory control period.

Commercial and industrial peak demand reduction

The program aimed at reducing peak demand amongst commercial and industrial customers connected to the distribution network is consistent with the DMIA criteria detailed in section 3.1.3 of the demand management incentive scheme in that:

- the purpose of the project is to shift and/or reduce demand for standard control services through the management of demand, rather than increase supply through network augmentation;
- the project is designed to build demand management capability and capacity by exploring new and potentially efficient demand management mechanisms;

- the project aims to reduce demand for standard control services across TasNetworks' distribution network, rather than at a specific point in the network, by targeting a reduction in the contribution to morning and evening peaks in demand from commercial customers; and
- the costs associated with the project are not recoverable under any other jurisdictional incentive scheme or State or Commonwealth Government scheme, and were not included in forecast capital or operating expenditure approved in the distribution determination for the current regulatory control period.

7.2(a)(ii) Nature and scope of demand management projects

Direct load control of uncontrolled hot water heating

The scope of this project is to:

- gather consumption data by consumer class, undertake technical analysis of domestic hot water heating characteristics and build a model that estimates the expected demand reduction that can be achieved without inconveniencing customers; and
- verify performance of the model against consumer data.

Battery storage and embedded generation on Bruny Island

The scope of this project is to develop an understanding of the technical feasibility of short and long term non-network solutions to addressing a constrained network area. An embedded micro-grid power system solution utilising Energy Storage and Standby Diesel Generation has been conceptually developed.

The research addresses issues such as:

- frequency and voltage management which become more significant for hybrid micro-grid power systems in remote areas such as Bruny Island (encompassing both operational and control strategies);
- dynamic voltage and frequency control along with small signal stability (the ability for the network to maintain synchronism under the occurrence of a disturbance); and
- the potential for increasing large-scale and small-scale solar penetration, and the resultant micro-grid coordination and control capabilities which may be required to manage such issues.

Commercial and industrial peak demand reduction

The scope of this project is to:

- evaluate the total potential peak demand reduction that could be achieved by engaging with C&I customers in the following categories:
    - commercial buildings that have a building management system (BMS) installed;
    - commercial buildings that have the potential to have a BMS installed;
    - industrial customers with discretionary loads, including an evaluation of the discretion that these customers may have to modify their peak demand; and
    - Determine realistic timeframes for engagement with customers

7.2(a)(iii) Project aims and expectations

Direct load control of uncontrolled hot water heating

This project seeks to provide an efficient means to assess investment in broad based or specific area DLC programs to deliver network augmentation deferral through load curtailment.

Studies undertaken have shown that consumer engagement is very sensitive to the information being provided; this project aims to provide factual, independently assessed, information in relation to the extent that consumers would be affected by a hot water DLC program.

Battery storage and embedded generation on Bruny Island

The aim of this project is to model and optimise the operation of the following new systems on the island:

- an energy storage system (battery);
- an embedded diesel generator;
- future demand side management capabilities (both residential and commercial);
- potential of future solar generation of 200kW – 1000kW in size; and
- potential of future wind generation of 200kW – 1000kW in size.

Operational scenarios need to be developed to leverage the capabilities of these systems in order to effectively manage the island in the following modes:

- Import Mode: where the island is importing power from mainland Tasmania (system normal);
- Constrained Supply Mode: where one submarine cable is out of service;
- Islanded Mode: where no supply from the mainland is available to the island; and
- Export Mode: where the island is exporting power to mainland Tasmania. This scenario could occur under a network support arrangement where any embedded or renewable generators on Bruny Island could assist in reducing existing constraints on the local distribution & transmission networks.

Commercial and industrial peak demand reduction

To inform the design of a cost effective demand management program to:

- Contract significant load reductions from C&I customers, as required; and
- Contract the utilisation of embedded/standby generation owned by C&I customers for network support, as required.

7.2(a)(iv) Project selection

Direct load control of uncontrolled hot water heating

This project came about through a lack of certainty within the distribution business as to the level of demand reduction that may be achieved through DLC of the large number of domestic electric hot water heating systems that are connected to the uncontrolled energy tariff.

To formulate a business case to implement a DLC program for domestic hot water, the potential load reduction needed to be quantified. This includes assessment of both the level technically available and, as part of a separate project, assessing the level of consumer participation.

Options considered included:

- use existing industry 'norms' for assessment, many of which are based on summer based peak demand, and accept the resultant uncertainty; and
- presume the level of control that customers would accept and risk consequent consumer dissatisfaction and disengagement.

Battery storage and embedded generation on Bruny Island

To address constraints imposed by the growing demand on the Island and the need to replace ageing infrastructure, TasNetworks is investigating alternate solutions to the network solution of replacement of one of the submarine cables serving the island.

TasNetworks has undertaken some preliminary research and evaluation of alternative non-network solutions and has concluded that, with the peak periods only occurring for a short period per year, the installation of embedded generation to initially manage the risk of ageing asset failure and defer the network solution is significantly more cost effective.

Uncertainty does exist regarding whether long term solutions utilising alternative non-network options to manage the local network limitations and risks are technically and financially feasible.

This project was selected as a precursor to the implementation of a trial of battery storage technology combined with embedded generation. Prior to this project, Aurora Energy's (now TasNetworks) capability to model system performance was limited to static performance; it did not have the capability to model the dynamic performance of the localised distribution network. The modelling delivering the capability to assess the technical performance of the local distribution network under a range of operating scenarios. The system modelling will be used to specify the technical requirements for the proposed technology trial.

Commercial and industrial peak demand reduction

C&I customers make a significant contribution to system peak demand.

Aurora currently lacks adequate data to develop a comprehensive C&I demand reduction program that takes into account the following issues:

- linkages to the technical trial of a Demand Response System for buildings with Building Management Systems; and
- consideration of the factors that motivate C&I customers to participate in Demand Management programs and commit to managing their loads with appropriate incentives in response to notifications and/or accept Demand Management control of their electrical loads.

.2(a)(v) Project implementation

Direct load control of uncontrolled hot water heating

The project has been implemented through a collaborative research project with the University of Tasmania.

Battery storage and embedded generation on Bruny Island

The project has been implemented through a collaborative research project with the University of Tasmania.

Commercial and industrial peak demand reduction

This project was implemented with the assistance of an external service provider to undertake the audit and evaluate to findings.

7.2(a)(vi) Implementation costs

Direct load control of uncontrolled hot water heating

This project was scheduled to be undertaken in 2012-13 with a total budget allocation of $100,000 (excluding GST).

Battery storage and embedded generation on Bruny Island

This project was undertaken in 2012-14 with a total budget allocation of $100,000 (excluding GST).

Commercial and industrial peak demand reduction

This project is scheduled to run from May 2013 until December 2013 with a budgeted total cost of $180,000 (excluding GST).

7.2(a)(vi) Identifiable benefits

Direct load control of uncontrolled hot water heating

The level of available demand reduction available through the DLC of domestic hot water heating has been identified (for all areas across the state). The results of this analysis are being used to increase the accuracy of an economic evaluation of associated DLC programs.

Battery storage and embedded generation on Bruny Island

Demand has been successfully capped to within the nominal rating of the submarine cable during the Easter 2013 and 2014 peak load period using a non-network solution involving embedded diesel powered generation.

Commercial and industrial peak demand reduction

The audit has been completed.

The audit comprised interviewing 42 large C&I organisations with a total of 182 sites engaged in agriculture, manufacturing, mining, water gas and energy infrastructure, communications, retails stores, and other commercial operations across Tasmania. Based on analysis of the discussions, the total non-coincident load reduction capacity from the large C&I sector connected to the distribution network is estimated to be 38 MVA. Assuming a typical diversity factor of 80% for this sector, this DM capacity represents a potential 3% reduction in overall network winter coincident peak demand and a 20% reduction in the 148.5 MVA coincident winter peak demand from the large C&I sector.

This now forms the basis to undertake a series of local area based trials to validate the credible and cost effect level of DM available.

7.2(b)(i) Cost recovery under jurisdictional incentive schemes

7.2(b)(ii) Cost recovery under other Commonwealth or State Government schemes

7.2(b)(iii) Exclusion from approved capital and operating expenditure

The costs associated with the aforementioned DMIS/DMIA programmes are not:

(i) recoverable under any other jurisdictional incentive scheme;

(ii) recoverable under any other Commonwealth/State Government Scheme; or

(iii) included as part of the forecast capital expenditure or forecast operating expenditure included in the 2012-17 Distribution Determination or any other incentive scheme applied by the 2012-17 Distribution Determination.

7.2(c) DMIA spending in 2013-14

The total expenditure in the Current Regulatory Period attributable to the Demand Management Innovation Allowance is $186,834 (excluding amount of $90,952 invoiced in 2014-15).

Direct load control of uncontrolled hot water heating

Budgeted opex (excluding GST)	$100,000
Actual costs incurred for 2012-13	$71,061
Actual costs incurred for 2013-14	$20,000
Final total project costs	**$91,061**

Battery storage and embedded generation on Bruny Island

Budgeted opex (excluding GST)	$100,000
Actual costs incurred for 2012-13	$40,000
Actual costs incurred for 2013-14	$20,000
Final total project costs	**$60,000**

Commercial and industrial peak demand reduction

Budgeted opex (excluding GST)	$180,000
Actual costs incurred for 2012-13	$26,056
Actual costs incurred for 2013-14	$9,717
Project costs invoiced in 2014-15	$90,952
Final total project costs	**$126,725**

8 Sponsorship and marketing

8.1(a) Significant DNSP advertising/marketing expenditure

Beneficiary	Amount	Purpose	Detail	Activities undertaken by beneficiary	Expenditure item in statutory accounts
Launceston City Council	$125,269.78	Branding	Distribution Business contribution towards the naming rights of Aurora Stadium in Launceston, Tasmania.	Granting of naming rights to the stadium	GL code 3865 (Sponsorships) within Corporate and Shared Services Charges
Impact Promotional Products	$68,617.45	Safety awareness	*Safety in Schools* program designed to educate school aged children around the dangers of electricity and how to stay safe.	Production of promotional materials for the *Safety in schools* program	GL code 3860 (Promotions) within Corporate and Shared Services
Agfest	$50,000.00	Branding and safety awareness	Significant state-wide exhibition attracting over 60,000 attendees. Exhibition was used by Aurora to highlight safety issues with customers, for branding and to answer general queries from customers (e.g. regarding tariffs).	Site fee covering security, site management, facilities etc.	GL code 3865 (Sponsorships) within Network Management
Clemenger Tasmania Pty Ltd	$29,559.37	Marketing, branding and safety awareness	Promoting the distribution business brand and safety awareness.	Marketing associated with Agfest	GL code 3855 (Advertising) within Network Management
Clemenger Tasmania Pty Ltd	$25,432.99	Safety awareness	Public education campaign.	Marketing and advertising materials for public education campaign	GL code 3855 (Advertising) within Corporate and Shared Services Charges
Total	**$298,879.60**				

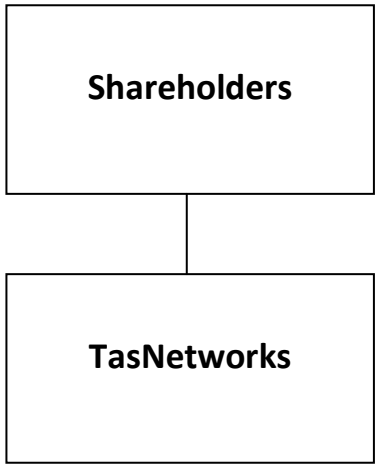
8.1(b) Other DSNP advertising/marketing expenditure

Beneficiary	Total Expenditure
ADPLACER	$713.15
ASTHMA FOUNDATION OF TASMANIA	$29,826.13
CLEMENGER TASMANIA PTY LTD	$30,662.65
ENTERPRISE MARKETING & RESEARCH SERVICES PTY LTD	$8,000.00
IMPACT PROMOTIONAL PRODUCTS	$3,079.85
MCI AUSTRALIA PTY LTD	$10,000.00
NECA TASMANIA CHAPTER	$7,500.00
PRIORITY PROMOTIONS	$357.16
RAPTOR & WILDLIFE REFUGE OF TA	$195.23
RED JELLY	$3,720.00
SLICK PROMOTIONS PTY LTD	$360.00
SOLAR ECLIPSE	$1,000.00
TAS FARM & GRAZIERS ASSOCIATION	$2,000.00
TASMANIAN BASKETBALL ASSOC INC	$6,098.85
THE NILS NETWORK TASMANIA INC	$17,895.68
UNIVERSITY OF TASMANIA	$1,000.00
Total less than 5% of marketing expenditure	**$122,408.71**

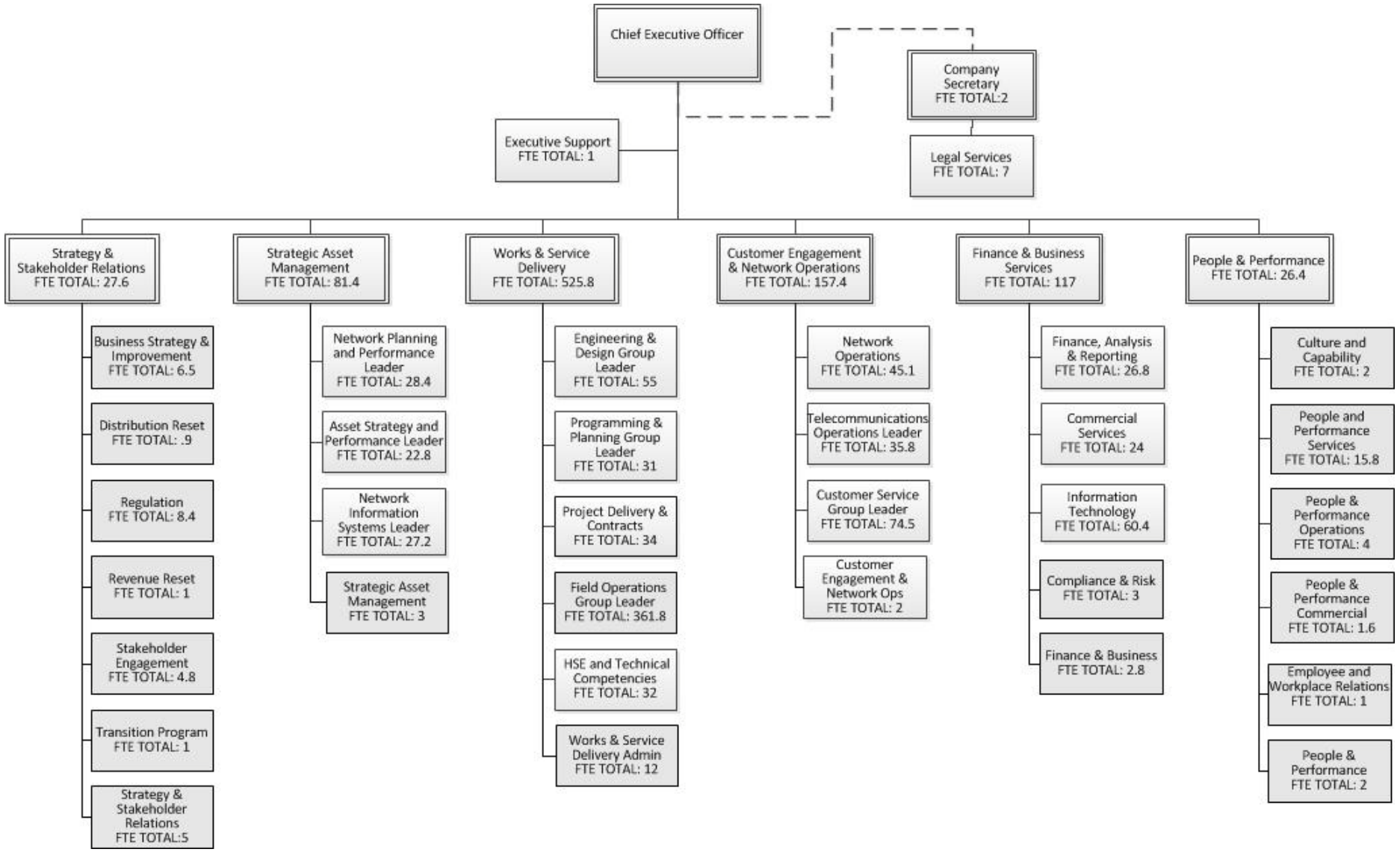
Category	Total Expenditure
Branding	$36,860.91
Safety awareness	$10,031.90
Sponsorship	$75,515.89
Total less than 5% of marketing expenditure	**$122,408.71**

9 Charts

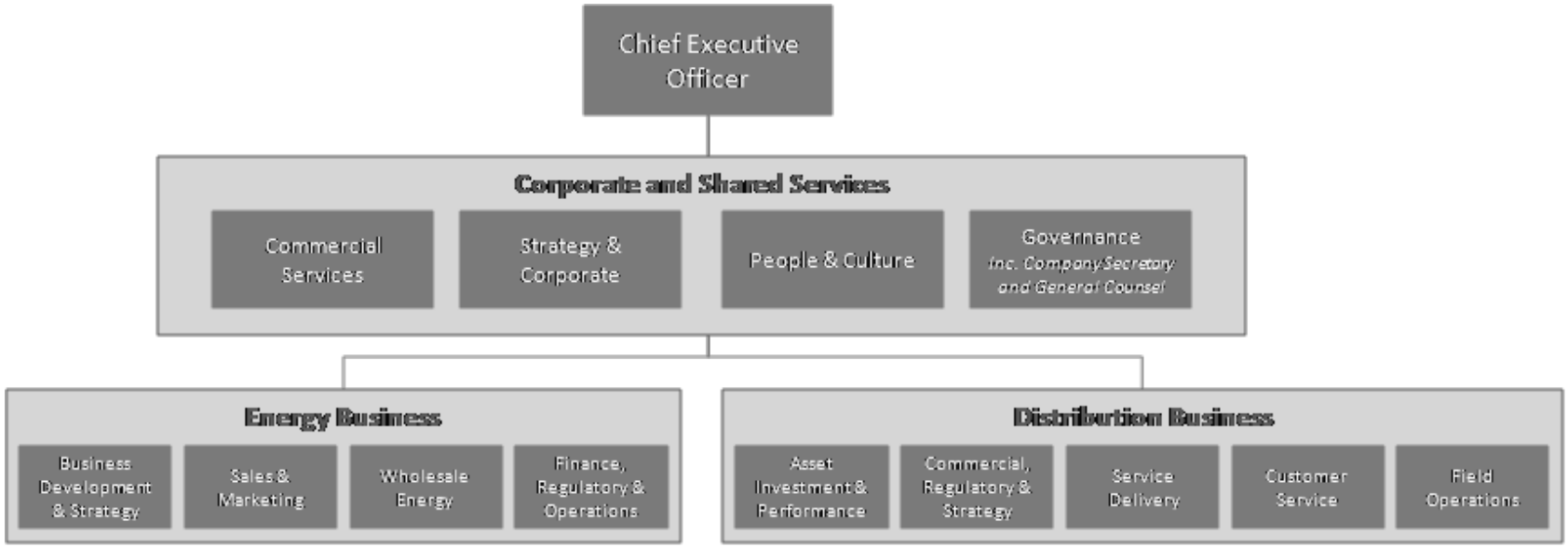
9.1(a) TasNetworks group structure



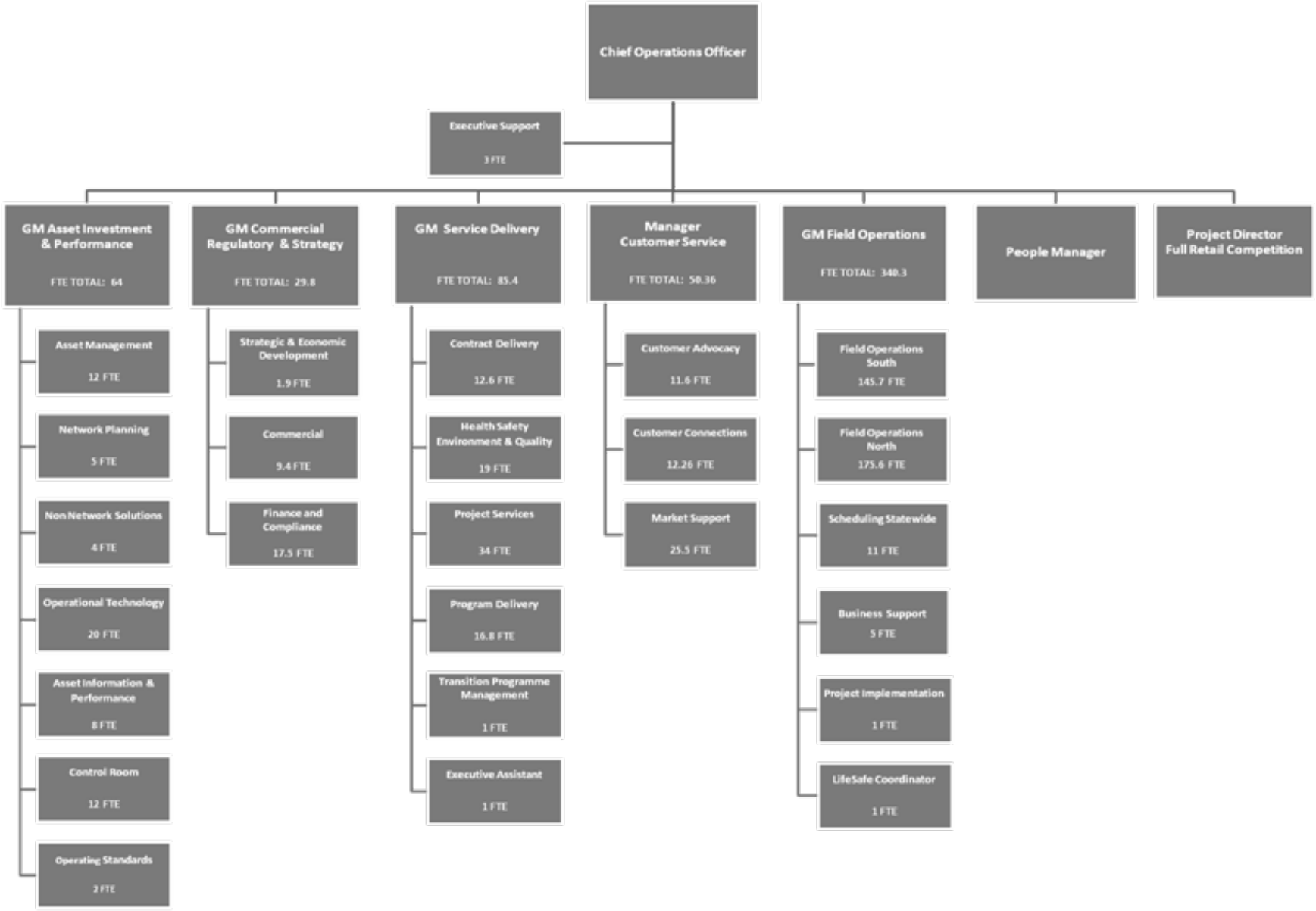
9.1(b) TasNetworks organisational structure



9.2(a) Aurora Energy group structure (1 July 2013)



9.2(b) Aurora Energy distribution business organisational structure (1 July 2013)



10 Audit and review reports

Tasmanian Audit Office

Level 4, Executive Building, 15 Murray Street, Hobart, Tasmania, 7000
Postal Address: GPO Box 851, Hobart, Tasmania, 7001
Phone: 03 6226 0100 | Fax: 03 6226 0199
Email: admin@audit.tas.gov.au
Web: www.audit.tas.gov.au

4 December 2014

Mr P Lowe
Chairman of the Audit and Compliance Committee
Tasmanian Networks Pty Ltd
PO Box 606
MOONAH TAS 7009

Dear Mr Lowe

Regulatory Information Notice ("RIN") Response Audits for the financial year ended 30 June 2014

The audits of the Distribution Annual Reporting RINs have been completed and I have expressed my assurance opinions on the financial and non-financial information, copies of which are enclosed.

Appreciation is expressed for the assistance and co-operation provided to my contractor during the course of the audit.

Yours sincerely

H M Blake
Auditor-General

Encl.
Copy for:
Mr L Balcombe, CEO

To provide independent assurance to the Parliament and Community on the performance and accountability of the Tasmanian Public sector.
Professionalism | Respect | Camaraderie | Continuous Improvement | Customer Focus

Strive | Lead | Excel | To Make a Difference

10.1(a) Audit report for financial information

Tasmanian Audit Office

INDEPENDENT AUDITOR'S REPORT TO TASMANIAN NETWORKS PTY LTD

Regulatory Information Notice Financial Template for the year ended 30 June 2014

Report on the Financial Report

I have audited the accompanying special purpose financial report of Tasmanian Networks Pty Ltd (the Company) which comprises the Regulatory Information Notice Financial Template for the year ended 30 June 2014.

In accordance with section 28M (e) of the *Electricity – National Scheme (Tasmania) Act 1999*, the forecast information, explanations relating to material differences and step change expenditure included in the Regulatory Information Notice Financial Template has not been audited.

Auditor's Opinion

In my opinion the Regulatory Information Notice Financial Template presents fairly, in all material respects, the basis of accounting described in the Aurora Energy Pty Ltd 30 June 2014 annual report and has been prepared in accordance with the relevant requirements of the Regulatory Information Notice.

Restriction on Distribution

Without modifying my opinion, I draw attention to the fact that the Regulatory Information Notice Financial Template is prepared to assist the Company to meet the requirements of the Regulatory Information Notice issued by the Australian Energy Regulator (AER). As a result the Regulatory Information Notice Financial Template may not be suitable for another purpose. My report is intended solely for the Company and the AER and should not be distributed to parties other than the Company or the AER.

Director's Responsibility for the Regulatory Information Notice Financial Template

The Directors of the Company are responsible for the preparation of the Regulatory Information Notice Financial Template and have determined that the basis of preparation described in the Regulatory Information Notice is appropriate to meet the reporting requirements of the AER. The Directors are also responsible for such controls as they determine are necessary to enable the preparation of the Regulatory Information Notice Financial Template.

Auditor's Responsibility

My responsibility is to express an opinion on the Regulatory Information Notice Financial Template based on my audit. My audit was conducted in accordance with Australian Auditing Standards. Those standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the Regulatory Information Notice Financial Template is free from material misstatement.

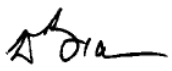
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Regulatory Information Notice Financial Template. The procedures selected depend on my judgment, including the assessment of the risks of material misstatement of the Regulatory Information Notice Financial Template, whether due to fraud or error. In making those risk assessments, I considered internal controls relevant to the Company's preparation and fair presentation of the Regulatory Information Notice Financial Template in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Company's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors in the 30 June 2014 annual report of Aurora Energy Pty Ltd used as a basis for completion of the Regulatory Information Notice Financial Template, as well as evaluating the overall presentation of the Regulatory Information Notice Financial Template.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independence

In conducting this audit, I have complied with the independence requirements of Australian Auditing Standards and other relevant ethical requirements.

TASMANIAN AUDIT OFFICE



H M Blake
AUDITOR-GENERAL

HOBART
4 December 2014

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10.1(b) Review report for non-financial information

Tasmanian Audit Office

INDEPENDENT ASSURANCE PRACTITIONER'S REPORT TO TASMANIAN NETWORKS PTY LTD

Regulatory Information Notice Non-Financial Template for the year ended 30 June 2014

Report on the Non-Financial Information

I have reviewed the non-financial information contained in the Regulatory Information Notice Non-Financial Template (Non-Financial Information) of Tasmanian Networks Pty Ltd (the Company) for the year ended 30 June 2014.

This information has been prepared in accordance with the Company's Basis of Preparation in response to the Regulatory Information Notice (the Notice) issued by the Australian Energy Regulator (AER) on 6 August 2014, for the regulatory year 2013-2014. In accordance with the requirements of the Notice, information presented in the Non-Financial Information before this date range has not been subject to review.

The AER requires the Non-Financial Information and the accompanying Basis of Preparation for the performance of a function conferred on it under the *Electricity – National Scheme (Tasmania) Act 1999*, namely conducting various monitoring and reporting functions as outlined in the Notice issued to the Company on 6 August 2014.

Auditor's Conclusion

Based on my review, which is not an audit, nothing has come to my attention that causes me to believe that the Non-Financial Information is not prepared, in all material aspects, in accordance with the requirements of the Notice and the Company's Basis of Preparation.

Restriction on Distribution

Without modifying my conclusion, I draw attention to the fact that the Non-Financial Information is prepared to assist the Company to meet the requirements of the Notice. As a result, the Non-Financial Information may not be suitable for another purpose. My report is intended solely for the Company and the AER and should not be distributed to, or relied upon by, any other parties

The Responsibility of Management for the Data Template and Basis of Preparation

The Company's management is responsible for the preparation of the Non-Financial Information and Basis of Preparation, and has noted in the Basis of Preparation whether it considers that the information supplied is appropriate for the benchmarking activities of the AER. Management is also responsible for such internal controls as management determines are necessary to enable the preparation of the Non-Financial Information that are free from material misstatement, whether due to fraud or error.

...1 of 2

Auditor Practitioner's Responsibility

My responsibility is to express a conclusion on the Non-Financial Information based upon my review.

My review of the Non-Financial Information was conducted in accordance with Australian Standard on Assurance Engagements ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* in order to state whether, on the basis of the procedures described, anything has come to my attention that causes me to believe that the Non-Financial Information is not prepared, in all material respects, in accordance with the Basis of Preparation and the requirements of the Notice.

ASAE 3000 requires me to comply with the requirements of the applicable code of professional conduct of a professional accounting body.

A review consists of making enquiries, primarily of persons responsible for the Non-Financial Information and applying analytical and other review procedures. Specifically, I have agreed the Non-Financial Information to data extracted by Company personnel from relevant company operating systems. Our procedures involved undertaking a walkthrough of the systems / process by which data is captured and reported. Due to the nature of the systems / processes used, I have undertaken a substantive approach to my procedures.

A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable me to obtain assurance that I would become aware of all significant matters that might be identified in an audit. Accordingly I do not express an audit opinion.

Independence

In conducting this review, I have complied with the independence requirements of Australian Auditing Standards and other relevant ethical requirements.

TASMANIAN AUDIT OFFICE

H M Blake
AUDITOR-GENERAL

HOBART
4 December 2014

...2 of 2

11.Confidential information

TasNetworks has not sought to restrict disclosure of any of the financial or non-financial information provided in response to the 2013-14 Annual Reporting RIN.
Therefore, TasNetworks consents to the public disclosure by the AER of all information provided in accordance with the aforementioned Regulatory Information Notice.

Title, page and paragraph number of document containing the confidential information	Description of the confidential information.	Topic the confidential information relates to (e.g. capex, opex, the rate of return etc.)	Identify the recognised confidentiality category that the confidential information falls within.	Provide a brief explanation of why the confidential information falls into the selected category.	Specify reasons supporting how and why detriment would be caused from disclosing the confidential information.	Provide any reasons supporting why the identified detriment is not outweighed by the public benefit (especially public benefits such as the effect on the long term interests of consumers).

Submission Title	Number of pages of submission that include information subject to a claim of confidentiality	Number of pages of submission that do not include information subject to a claim of confidentiality	Total number of pages of submission	Percentage of pages of submission that include information subject to a claim of confidentiality	Percentage of pages of submission that do not include information subject to a claim of confidentiality
Distribution Annual Reporting RIN, 2013-14 – Basis of Preparation	Nil	96	96	0%	100%

Appendix A – Capitalisation Policy

Fixed Assets - Policy

Capitalisation

3 September 2013

Version 3.1

Aurora Energy

Document Authorisation

Prepared by:	Michael Fenton, Manager Financial Accounting
Approved by:	Brad Hilder, GM Group Finance and Shared Services

DOCUMENT DETAILS

Document title	Fixed Assets – Policy - Capitalisation
Document Version	Version 3.0
Version Date	03 September 2013
Next Review Date	23 October 2014
Document file name	CO-#407411-v5-Fixed_Assets_-_Policy_-_Capitalisation.DOC
Print date	Friday, 5 December 2014

DOCUMENT CONTROL SHEET

Contact for Enquiries and Proposed Changes

If you have any questions regarding this document contact:

Name: Andrea Mounter

Title: Senior Accountant – Business Analysis

Phone: 03 6208 7818

TABLE OF CONTENTS

1 PURPOSE AND SCOPE

The objective of this policy is to prescribe the accounting treatments for property, plant and equipment. This policy is set up in compliance with accounting standard AASB116 Property, Plant and Equipment and AASB 138 Intangible Assets.

This policy shall apply to the accounting for cost incurred in the replacement, alteration, construction and purchase of plant, property and equipment by Aurora and its subsidiaries.

This policy applies to both capital works (constructed assets) and purchased assets.

This policy should be read in conjunction with the policies referenced in Section 8.

2 BACKGROUND

This policy has been developed to specify the capitalisation criteria that expenditure needs to meet in order to qualify as capital and therefore be recognised in the carrying amount of an item of property, plant and equipment.

3 DEFINITIONS

For the purpose of this policy unless otherwise stated the definitions used within this policy are taken to be the same as in AASB Glossary of Defined Terms.

4 POLICY STATEMENTS

4.1 Asset Recognition

The capitalisation threshold for expenditure on an asset is a value greater than $1,000, unless the asset is covered by the Attractive Assets Policy. All assets that meet this threshold are to be capitalised in accordance with AASB 116 and AASB 138.

An asset should be recognised in the statement of financial position when and only when:

a) It is probable that any future economic benefits associated with the item will flow to or from the entity; and

b) The asset has a cost or value that can be measured with reliability.

4.2 Asset Cost

The cost of an item of plant, property and equipment (purchased or constructed) comprises mainly:

- The purchase price;
- Import duties and non refundable taxes (i.e. GST is excluded from the cost);
- Initial delivery and handling cost (including freight);
- Cost of site preparation;
- Installation and assembly cost;
- Professional fees (e.g. design, architectural and engineering);
- Cost of testing to bring the asset into service (this should be net of any proceeds that may be generated from the testing process);
- Borrowing cost capitalised (see below);

- Direct material cost; and
- Systematic allocation of direct labour and overheads attributable to bringing the asset to its working condition. The cost of an internally constructed asset should use the full absorption costing basis. As such overheads attributable to the costs of construction of the asset would be included in the capitalised cost.

In addition to the above, retirement/restoration cost should also be included in the cost of an item of property, plant and equipment to the extent it is recognised as a provision under AASB 137 Provisions, Contingent Liabilities and Contingent Assets. In brief, such cost should be significant, can be accurately measured, specific to the asset and is probable to occur at the end of the service life of the asset.

The following costs may not be capitalised as assets:

- Costs of relocating or reorganising an asset, or entity's operations;
- Costs of opening a new facility, or conducting a business in a new location (including the cost of staff training);
- Costs of introducing a new product, including advertising or promotional costs;
- Administration costs, and general overhead costs including (training, establishing policies and procedures, hiring and redundancy costs);
- Initial operating losses post commercial commissioning; and
- Repairs and maintenance of an asset. Repairs involve the day-to-day servicing and maintenance of an asset and ensure that it is maintained at its full productive capacity, and do not increase the previously estimated useful life. Refer section 6 and examples in Appendix 1.

4.3 Initial Spares

Spare parts and servicing equipment are usually carried as inventory and recognised in profit or loss as consumed. However, major spare parts and stand-by equipment (capital spares) qualify as property, plant and equipment when it is expected that they will be used for more than one period. Similarly, if the spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

4.4 Capitalised Interest

Borrowing costs, such as interest, are to be capitalised as part of the cost of the asset on all projects when the following conditions are satisfied:

i. The borrowing costs are attributable to the acquisition, construction or production of a qualifying asset as defined under AASB 123; and

ii. The project is funded from external borrowing not internal funds.

The capitalisation of borrowing costs, as part of the cost of a qualifying asset shall commence when:

i. Expenditure for the asset are being incurred;

ii. Borrowing costs are being incurred; and

iii. Activities that are necessary to prepare the asset for its intended use or sale are in progress.

Capitalisation of borrowing costs shall cease when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

Where funds are borrowed specifically for a project the amount can be determined by the actual borrowing costs, however where funds are borrowed generally and used for the purpose of obtaining qualifying assets, the rate of interest used as the capitalisation rate is to be equivalent to the weighted average borrowing costs of Aurora.

5 DISCUSSION OF POLICY STATEMENTS

5.1 Repairs v Refurbishment/ Replacement

One of the difficulties of fixed asset accounting is determining whether expenditure on an asset is a repair or refurbishment.

The key difference is that repairs involve day-to-day maintenance of an asset, aimed at restoring the asset to its original working condition. Repairs do not extend the useful life or increase the future economic benefits of an asset. Examples include: regular maintenance checks, replacement of tyres and small parts.

Refurbishments or replacements are expenditure, which increase the estimated useful life of an asset, and provides significant increased future economic benefits through improved quality of output, increased capacity, improved efficiencies or economy of operation. Examples include a major overhaul, replacing the interior of a building, planned replacement of major components of an asset to improve function, office fit-outs or refurbishments and system upgrades.

5.2 Cancelled Projects

If at any stage a project does not proceed, or it is deemed that the project will not provide any future economic benefits, as soon as the decision is made that the project has ceased, all the accumulated costs that relate to that project must be expensed to the business area responsible.

5.3 Work In Progress

Assets are set up as capital projects in the Navision system via capital jobs. These jobs sit in capital work in progress account until the completion of the job, at which time the cost will be capitalised to asset shells and form part of property plant and equipment on the Balance Sheet. Depreciation commences from the completion date of the job.

5.4 Capital Works Job Review

Operating Business Units are to regularly review their capital jobs sitting in work in progress for completed jobs to ensure they continue to comply with the capitalisation policy, to write off expenditure no longer satisfying criteria for being carried as an asset and transfer completed jobs to asset shells.

5.5 Decommission/ Derecognising an Asset

The gain or loss arising from the decommission/derecognising of an asset should be included in profit and loss when the item is derecognised.

The decommissioning cost of an existing asset should not form part of the cost basis of a new asset created to replace it, except were the decommissioning costs are not material and are difficult to separately identify from the installation or construction costs of the new assets.

The value associated with the remaining useful life of the assets, which have been replaced, is written off, and does not form part of cost base of the new assets to replace them.

5.6 Impairment of assets

At each reporting date Aurora is required to review the carrying amount of its assets, and determine whether an indication of impairment exists. This will be undertaken in line with AASB 136 and will be authorised by the CFO.

5.7 Intangible Assets

Where there is expenditure incurred in creating an internally generated intangible asset, it needs to be determined whether the expenditure meets the definition of research or development expenditure as defined in AASB 138 Intangible Assets.

Research expenditure is the original planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and shall be expensed to the income statement as incurred.

Development expenditure is the application of research findings to plan or design a product, process, systems or services before the start of commercial production or use. Any costs incurred during the development phase must be expensed unless it can be demonstrated that the criteria in AASB 138 are met.

All expenditure on research and development, regardless of whether capitalised or expensed needs to be identified for each project for taxation purposes.

6 ADMINISTRATION

6.1 Breach of Policy

Significant breaches of this policy will be reported to the GM Group Finance and Shared Services.

6.2 Periodic Review of this Policy

This Policy will be reviewed every two years unless circumstances change that require earlier review.

7 REFERENCES

- AASB 116 Property, Plant and Equipment
- AASB 138 Intangible Assets
- AASB 137 Provisions, Contingent Liabilities and Contingent Assets
- AASB Glossary of Defined Terms
- Fixed Assets - Policy – Fixed Asset Manual CO#-10209370
- Fixed Assets - Policy - Attractive Assets CO#-10080513
- Fixed Assets - Policy - Minor Fixed Asset Stocktake CO#-10138560

APPENDIX 1

EXAMPLES OF CAPITAL AND OPERATING EXPENDITURE

Whether expenditure is capital or operating expense is determined by considering the facts in each case. The following examples are provided to assist with the application of this policy.

Note: Where there is a replacement of an asset, which forms part of our regulated asset base (RAB), the impact on RAB as part of the replacement must be considered to ensure that RAB is not overstated.

Distribution Assets

Unit of Property (UOP)	Expenditure	Capitalisation Criteria	Accounting Treatment
Feeder (overhead)	Repair a wooden pole as a consequence of car accident with either a wooden pole or a concrete pole as being the modern day equivalent	Repair	Operating
	Complete replacement of poles (eg due to car accidents, bush fires, or programmed)	Extend the life of the original asset Note: the asset, which has been replaced, must be written out of RAB, at same time as the new asset introduced to the RAB. Debit income statement with the remaining useful life value of asset that is replaced.	Capital
	Replacing conductor for all HV and LV feeders over 2 spans with larger conductor to increase capacity	Increase in capacity	Capital
	Programmed replacement HV and LV conductors that have reached the end of their serviceable life	Extend the life of the original asset	Capital
	Repairing a transformer (eg. rewiring as part of maintenance program)	Repair	Operating
	All additions and extensions to overhead HV and LV feeders over 2 spans including switchyards	Creates a new asset	Capital
	Installing larger capacity transformer and associated equipment	Increase in capacity	Capital
	Installing additional transformer and associated	Creates a new asset	Capital

Unit of Property (UOP)	Expenditure	Capitalisation Criteria	Accounting Treatment
	equipment, reclosers, sectionalisers and air break isolators		
Feeders (Underground)	Installing additional HV and LV underground cables, including fittings	Creates a new asset	Capital
	Installing HV and LV underground cable to replace overhead line	Creates a new asset	Capital
Substations	To upgrade an existing earthmat due to meet safety requirements	Additional functionality	Capital
	Installing new substation, including HV and LV switchgear, transformers and enclosure	Creates a new asset	Capital

Meter Assets

Unit of Property (UOP)	Expenditure	Capitalisation Criteria	Accounting Treatment
Domestic Residential Meters	Cost of meter and Installation to customer's residence	Creates a new grouped asset	Capital
Demand Meters	Cost of meter and Installation to customer's residence	Creates a new grouped asset	Capital
Domestic Electronic LV Meter (Intelligent metering system)	Cost of meter and Installation to business and key customer's premises	Creates a new grouped asset	Capital
Polyphase 3 phase HV Meter (Intelligent metering system)	Cost of meter and Installation to business and key customer's premises	Creates a new grouped asset	Capital
Prepayment LV Meter (domestic)	Cost of meter and Installation to customer's residence	Creates a new grouped asset	Capital

Other Assets

Unit of Property (UOP)	Expenditure	Capitalisation Criteria	Accounting Treatment
Minor Corporate Application Systems	Increases in the functionality of a computer system for example, improving the quality of output, speed or security	Additional functionality	Capital
Major IT Projects	Installing new systems eg BIRT reporting/ upgrades and enhancements to current systems eg WASP, Frontline/ Navision.	Searching for possible alternative products/ services.	Operating
		All costs incurred in the development and implementation phases, including project management.	Capital
		Where it becomes evident that it is not probable future economic benefits will eventuate from project	Operating
Facilities/ Property	Refurbishments/ office fit-outs eg workstations/ refurbishment to café area	Creates an asset with separate useful life or increases future economic benefits of existing asset.	Capital
	Upgrades to various Depot locations i.e. truck wash, vehicle shelters/ toilet upgrades etc	Where major works are carried out, which extend useful life, improve functionality or create a new asset	Capital


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