

## 2.6.1 Explanations for movement in expenditure from current regulatory control period to forthcoming regulatory control period

Explanations outlined are for expense categories where total expenditure in the forthcoming regulatory control period is in excess of 10% higher than in the current regulatory control period.

### Operating Costs:

#### System Operations

The variance between periods is \$0.5 million representing an increase of 45%. Expenditure was low in 07/08 and 08/09 due to lower reconfiguration expense. Expenditure for forthcoming regulatory period is in line with expenditure in final 3 years of current regulatory period.

#### Other

The variance between periods is \$18.4 million representing an increase of 402%. The major reason for the variance is an increase in Licences and Maintenance Agreements as a result of maintenance expenditure for planned new Capex and maintenance expenditure that was previously charged as part of ICAM.

### Maintenance Costs:

#### Overhead Network and Structures

The variance between periods is \$7.1 million representing an increase of 22%. The increase in expenditure has been driven by a significant increase in the rate of asset repairs on defects within the overhead system and increased costs associated with pole inspections and pole staking.

#### Underground Network

The variance between periods is \$0.7 million representing an increase of 31%. The increase in expenditure has been driven by repair activities associated with deteriorating performance of CONSAC cables, other aging cables and an increase in incidents related to third party damage.

#### Ground Mounted Substations

The variance between periods is \$2.8 million representing an increase of 67%. The increase in expenditure has been driven by compliance requirements for fire door inspections, confined working space condition and earth site testing.

The increase in expenditure has been partially mitigated by an improvement in information systems, which has provided an opportunity to reduce inspection frequency for CBD substations. Replacement of older battery systems in substations will reduce the level of maintenance required which is expected to offset the additional expenditure required for earth testing.

#### Zone Substations

The variance between periods is \$1.8 million representing an increase of 30%. The increase in expenditure is driven by an increase in routine maintenance due to the addition of two zone substations during the Current Regulatory Control Period.

#### Decommissioned Assets

The variance between periods is \$0.8 million representing an increase of 36%. The expenditure for decommissioned assets has recently been driven by change in land use from farming to tree plantation. Leaving these assets insitu incurs ongoing inspection treatment and vegetation clearing costs, Aurora therefore removes the assets from the distribution system. The expenditure for the forthcoming regulatory period is largely in line with expenditure in the final 3 years of the current regulatory period.

#### Connection Asset Repair

The variance between periods is \$1.2 million representing an increase of 70%. Expenditure was low in 07/08, 08/09 and 09/10 due to lower ancillary meter equipment expenditure. Expenditure for the forthcoming regulatory period is in line with expenditure in final 2 years of current regulatory period.

2.6.2 Explanations for movement in other operating costs expenditure from current regulatory control period to forthcoming regulatory control period.

Licences and Maintenance Agreements/Services increases by \$18.3 million representing an increase of 404%. The increase in expenditure is as a result of maintenance expenditure for planned new Capex and maintenance expenditure that was previously charged as part of ICAM now included.

2.6.4 Explanations for movements in opex by cost category from current regulatory control period to forthcoming regulatory control period.

In-house:

Direct Overheads

The variance between periods is \$0.2 million representing an increase of 43%. Given the expenditure totals \$0.8 million over the forthcoming regulatory period Aurora regards the variance as immaterial.

Non-related party contractors:

Unallocated

The variance between periods is \$14.0 million representing an increase of 90%. The increase in expenditure is as a result of IT maintenance expenditure for planned new IT Capex and IT maintenance expenditure that was previously charged as part of ICAM now included.

2.6.5 Explanations for movements in maintenance by cost category from current regulatory control period to forthcoming regulatory control period.

In-house:

Materials

The variance between periods is \$5.4 million representing an increase of 27%. The increase in expenditure is due to an increase in overhead network and structures and zone substations including the materials component. In addition to this fault and emergency materials cost has increased due to future labour efficiencies which have resulted in a change in the cost mix.

Non-related party contractors:

Unallocated

The variance between periods is \$7.8 million representing an increase of 18%. The increase in expenditure is due to an increase in vegetation management, overhead network and structures and zone substations including the unallocated component.