

*Electricity Networks Access Code 2004*

# Guidelines for Access Arrangement Information

06 December 2010

Economic Regulation Authority

 WESTERN AUSTRALIA

## Important Notice

This document is not a suitable substitute for legal or technical advice. Where this document contains a summary of legalisation, regulations or codes the Authority notes that the summary may not contain all material terms of those laws or obligations.

A full copy of this document is available from the Economic Regulation Authority website at: [www.erawa.com.au](http://www.erawa.com.au)

For further information, contact

Economic Regulation Authority  
Perth, Western Australia  
Phone: (08) 9213 1900

© Economic Regulation Authority 2010

The copying of this document in whole or in part for non-commercial purposes is permitted provided that appropriate acknowledgement is made of the Economic Regulation Authority and the State of Western Australia. Any other copying of this document is not permitted without the express written consent of the Authority.

### AMENDMENT RECORD

Version	Date	Pages
1	26 June 2008	38
2 (this version)	06 December 2010	49

## Contents

<b>1</b>	<b>Introduction</b>	<b>1</b>
1.1	Access arrangement framework	1
1.2	Requirement for access arrangement information	1
1.3	Provision for the preparation of guidelines	2
1.4	Nature of these guidelines	2
<b>2</b>	<b>General Principles</b>	<b>3</b>
2.1	Compliance	3
2.2	Derivation of access arrangement elements	3
2.3	Accounting principles and policies	3
2.4	Substance of transactions and events	4
2.5	Materiality	4
2.6	Information provided must be verifiable	4
2.7	Audit assurance	4
2.8	Format of information	4
<b>3</b>	<b>Regulatory Financial Statements</b>	<b>6</b>
3.1	Requirement	6
3.2	Purpose	6
3.3	Method of preparation	6
3.4	Regulatory accounting periods	7
3.5	Cost allocation	7
3.6	Regulatory adjustments	7
3.7	Pro forma regulatory financial statements	8
3.8	Requirements for specific regulatory financial statements	8
3.8.1	Capital expenditure	8
3.8.2	Operating expenditure	9
3.8.3	Revenue	9
3.8.4	Contributions	10
<b>4</b>	<b>Information Supporting a Target Revenue Proposal</b>	<b>11</b>
4.1	Requirement	11
4.2	Purpose and time periods	11
4.3	Information in support of forecasts of costs	11
4.3.1	Underlying assumptions	11
4.3.2	Cost allocation	12
4.3.3	Pro forma forecast statements	12
4.4	Requirements for specific forecasts of costs	12
4.4.1	Forecast capital expenditure	12
4.4.2	Depreciation	14
4.4.3	Forecast non-capital expenditure	14
4.4.4	Interactions between capital and non-capital expenditure	15
4.4.5	Forecast capital base	15
4.5	Opening capital base	15

4.5.1	Requirement	15
4.5.2	Roll-forward calculation method	15
4.5.3	Capital expenditure	16
4.5.4	Reconciliation of actual capital expenditure with forecasts	16
4.5.5	Other calculation methods	16
4.6	Adjustments to target revenue	17
4.6.1	Unforeseen events	17
4.6.2	Technical rule changes	17
4.6.3	Investment adjustment mechanism	17
4.6.4	Gain sharing mechanism	18
4.6.5	Service standards adjustment mechanism	18
4.6.6	Other mechanisms for adjustments	18
<b>5</b>	<b>Information Supporting the Application of the New Facilities Investment Test</b>	<b>19</b>
5.1	Requirement	19
5.2	Purpose	19
5.3	Time periods	19
5.4	Information in support of actual new facilities investment	20
5.4.1	Efficiently minimising costs	20
5.4.2	New facilities investment test criteria	20
5.4.3	Other criteria	20
5.4.4	Requirement for additional information	21
5.4.5	Interaction with regulatory financial statements	21
5.5	Information in support of forecast new facilities investment	21
5.5.1	Requirement for additional information	22
5.5.2	Interaction with forecast cost statements	22
<b>6</b>	<b>Information Supporting Service Standard Benchmarks and Performance</b>	<b>23</b>
6.1	Requirement	23
6.2	Purpose	23
6.3	Information in support of service standard benchmarks	23
6.4	Information in support of service standard performance	23
<b>7</b>	<b>Information Supporting Gain Sharing Mechanisms</b>	<b>25</b>
7.1	Requirement	25
7.2	Purpose	25
7.3	Information in support of gain sharing mechanisms	25
	<b>Appendix A: Pro Forma Regulatory Financial Statements</b>	<b>26</b>
	<b>Appendix B: Pro Forma Forecast Statements</b>	<b>38</b>
	<b>Appendix C: Summary of Substantive Changes to Guidelines</b>	<b>45</b>

# 1 Introduction

## 1.1 Access arrangement framework

The *Electricity Networks Access Code 2004* (**Access Code**) is established under the *Electricity Industry Act 2004* and provides the framework for the independent regulation of certain electricity networks in Western Australia. At the time of publication, Western Power is the only service provider in Western Australia who owns and operates a covered (regulated) network – the Western Power Network – within the South West interconnected system (**SWIS**).

The objective of the Access Code (as set out in section 2.1 of the Access Code) is to promote the economically efficient investment in, and operation and use of, networks and services of networks in Western Australia, to promote competition in electricity retail and wholesale markets.

The Access Code requires the service provider of a covered network to have an access arrangement setting out the terms and conditions under which users (typically retailers and generators) can obtain access to the network. The Economic Regulation Authority (**Authority**) is responsible for regulating third party access to regulated electricity networks in Western Australia, including the approval of access arrangements.

## 1.2 Requirement for access arrangement information

Under sections 4.1 and 4.48 of the Access Code a service provider of a regulated network must submit access arrangement information when submitting a proposed access arrangement, or proposed revisions to an existing access arrangement, to the Authority for approval.

The purpose of access arrangement information is specified in section 4.2 of the Access Code, being that access arrangement information must enable the Authority, users and applicants to:

- understand how the service provider derived the elements of the proposed access arrangement; and
- form an opinion as to whether the proposed access arrangement complies with the Access Code.

The required content of access arrangement information is specified in section 4.3 of the Access Code as:

- information detailing and supporting the price control in the access arrangement; and
- information detailing and supporting the pricing methods in the access arrangement; and
- if applicable, information detailing and supporting the measurement of the components of approved total costs in the access arrangement; and
- information detailing and supporting the service provider's system capacity and volume assumptions.

### **1.3 Provision for the preparation of guidelines**

Section 4.5 of the Access Code provides for the Authority to publish guidelines setting out in further detail what information must be included in access arrangement information in order for the access arrangement information to comply with sections 4.2 and 4.3, either generally or in relation to a particular matter or circumstance.

Section 4.6 of the Access Code requires that, subject to sections 4.2 and 4.3, access arrangement information submitted more than three months after the publication of guidelines under section 4.5 must comply with the guidelines.

Section 4.7 of the Access Code provides for the Authority to waive the requirement for a service provider to comply with one or more guidelines published under section 4.5, if the Authority is satisfied that doing so will better achieve the (Access) Code objective.

### **1.4 Nature of these guidelines**

These guidelines have been written to reflect the current arrangements in Western Australia for the provision of electricity network services that are regulated (covered) services under the Access Code. At the time of publication, Western Power is the only service provider in Western Australia who owns and operates a covered network – the Western Power Network.

Western Power's access arrangement for the first access arrangement period (2006/07 to 2008/09) was approved by the Authority in April 2007 and became effective on 1 July 2007. Revisions to this access arrangement for the second access arrangement period (2009/10 to 2011/12) were proposed by Western Power in October 2008 and approved by the Authority in January 2010, with the revised access arrangement becoming effective on 1 March 2010.

## 2 General Principles

### 2.1 Compliance

Further to sections 4.2 and 4.3 of the Access Code, access arrangement information that is submitted by a service provider must comply with these guidelines, unless the Authority determines under section 4.7 of the Access Code to waive the requirement to comply with one or more of the guidelines.

These guidelines specify particular information that must be included in access arrangement information. These guidelines are not exhaustive in the requirements for access arrangement information and compliance with these guidelines does not necessarily represent full compliance with the requirements of section 4.2 and 4.3 of the Access Code.

### 2.2 Derivation of access arrangement elements

In accordance with section 4.5 of the Access Code, these guidelines set out in further detail what information must be included in access arrangement information in order for the information to comply with sections 4.2 and 4.3, either generally or in relation to a particular matter or circumstance.

While these guidelines concentrate on the reporting of quantitative (that is, financial and cost) information to help the Authority assess the price control and pricing methods in a service provider's access arrangement, service providers must still provide qualitative information to the extent necessary for the Authority, users and applicants to:

- understand how the service provider derived the elements of its access arrangement; and
- form an opinion as to whether the access arrangement complies with the Access Code.

Such qualitative information may include, for example, information detailing the individual policies that the service provider has implemented, or will implement, to meet its service standard and quality benchmarks.

The Authority may, from time-to-time, amend these guidelines to incorporate particular requirements for the reporting of qualitative information.

### 2.3 Accounting principles and policies

The accounting principles and policies applied in compiling financial information that forms part of the access arrangement information must:

- have a recognisable and rational economic basis;
- satisfy accounting concepts of relevance and reliability; and
- accord with applicable Australian accounting standards.

The access arrangement information must include full and detailed documentation of the regulatory accounting principles and policies adopted.

The access arrangement information must also include descriptions of any changes to the accounting principles and policies from those previously applied by the service provider, together with the rationale for the changes and a quantitative assessment of the effect of the changes on regulatory information.

## **2.4 Substance of transactions and events**

Where access arrangement information includes information on a transaction or event, the information must report both the substance and detail of the transaction or event.

Where the commercial substance of a transaction or event differs from the legal form, the commercial substance must be reported.

In determining the substance of a transaction or event, a group of transactions or events that achieves, or is designed to achieve, an overall commercial effect must be viewed together.

## **2.5 Materiality**

These guidelines apply to all material information provided in access arrangement information.

Information is material if its omission, misstatement or non-disclosure has the potential to prejudice the understanding of the derivation of elements of the access arrangement.

## **2.6 Information provided must be verifiable**

All financial information provided in access arrangement information must be verifiable.

For the purposes of these guidelines, “verifiable” means that information can be traced to a source document or an assumption by an independent party or auditor.

## **2.7 Audit assurance**

Access arrangement information must include an audit report for financial information that is included in regulatory financial statements. The auditor must be objective and independent of the service provider.

The audit report must cover, at a minimum, assurance of:

- veracity of the regulatory financial statements;
- consistency with stated accounting policies, principles and methods; and
- arithmetic accuracy.

## **2.8 Format of information**

Service providers should provide access arrangement information to the Authority in both print (hardcopy) and electronic (softcopy) form. As a minimum, the service provider must provide one original submission in print form, with relevant signatures and an electronic version on compact disc, or a similar medium. Service providers should, prior to submitting any electronic information, confirm with the Authority that the electronic information is compatible with the Authority’s information technology systems.

Electronic documents should be capable of being printed, having text and images copied and being fully text searchable without the use of any specialist software. In particular, electronic spreadsheets should not be password protected and where input data is hard-coded the inputs should be appropriately referenced to original source data.

Service providers should ensure that access arrangement information correctly references third party information, including consultant or expert reports. To ensure completeness of



the information, service providers should include all necessary information relevant to understand all elements of the service provider's access arrangement.

In support of any documents and material provided as part of the access arrangement information, and in response to any subsequent information requests, the service provider must provide the Authority with a "document index" that identifies the following information for each document or group of documents.

- Document title and, if applicable, document reference number/identifier.
- Date of issue/publication.
- A summary of the document's purpose and relevance (that is, the specific reason as to why the document has been provided).
- Page references to specific information of relevance within the document.

## 3 Regulatory Financial Statements

### 3.1 Requirement

Where revised access arrangement information is being submitted to the Authority together with proposed revisions to an access arrangement, the access arrangement information must include regulatory financial statements for the current access arrangement period.

Regulatory financial statements should be presented separately for each component of the service provider's business and include for each component and for each accounting period:

- an income (profit and loss) statement;
- a cash flow statement;
- a balance sheet;
- a statement of capital expenditure;
- a statement of operating expenditure; and
- a statement of contributions.

### 3.2 Purpose

Regulatory financial statements are required to provide the Authority with information that assists in the understanding of a proposed access arrangement, including providing auditable information for:

- verifying the actual costs of the service provider in the current access arrangement period;
- understanding the allocation of costs between regulated and unregulated components of the service provider's total business;
- verifying the actual revenue of the service provider and assessing compliance with the price control under the access arrangement;
- ensuring that past expenditure is not included in forecast expenditure;
- understanding the regulated business of the service provider and the effects of regulation on the financial performance of the business; and
- identifying trends in costs.

### 3.3 Method of preparation

Regulatory financial statements are to be prepared by disaggregating and adjusting base accounts. Base accounts are the general purpose financial statements that:

- contain the entirety of the activities of the service provider;
- are consolidated or aggregated where appropriate; and
- are prepared in accordance with (as relevant),
  - Australian Corporations Law;
  - the *Electricity Corporations Act 2005*; and

- Australian Accounting Standards.

The base accounts may comprise the statutory accounts of the service provider's business or general-purpose financial statements from the general ledger of the service provider's business.

The preparation of regulatory financial statements from base accounts is to be undertaken by:

- preparing disaggregated statements from the base accounts and the accounting records that underlie the base accounts; and
- applying, where necessary, adjustments to the disaggregated statements to derive the regulatory financial statements.

### **3.4 Regulatory accounting periods**

Regulatory financial statements must be prepared for regulatory accounting periods that correspond to the periods of the base accounts.

### **3.5 Cost allocation**

The preparation of disaggregated statements must be undertaken by an allocation of revenue and costs between the various regulated and unregulated components of the service provider's business.

The allocation of revenue and cost items must be based on the following principles.

- Items that are directly attributable to a business component are allocated accordingly.
- Items that are not directly attributable to a business component are to be allocated, where practicable, on a causation basis.
- Items that are not directly attributable and cannot be practicably allocated on a causation basis must be allocated by a method determined by the service provider. In such cases, the access arrangement information must include a supporting note for each item thus allocated indicating:
  - the basis for allocation;
  - the reason for choosing that basis; and
  - an explanation for why no causal relationship could be established.
- Consistency with previous years' allocation policies or, if not, any change to the allocation policy must be fully explained and prior year figures restated accordingly.

### **3.6 Regulatory adjustments**

In preparing regulatory financial statements, a service provider must apply regulatory adjustments to the disaggregated statements to account for:

- costs and revenues associated with the supply of services other than covered services; and
- differences in accounting methods and assumptions between the base accounts and regulatory financial statements.

The access arrangement information should include explanation of the nature and amount of each regulatory adjustment.

### **3.7 Pro forma regulatory financial statements**

The regulatory financial statements must be prepared in accordance with the pro forma statements provided in **Appendix A** of this guideline.

The service provider may apply discretionary headings in the regulatory financial statements, as required. Any discretionary headings must agree with, or be traceable to, account headings in the service provider's general ledger of the chart of accounts that underlies the base accounts.

### **3.8 Requirements for specific regulatory financial statements**

#### **3.8.1 Capital expenditure**

The capital expenditure recorded for the service provider's business as a whole must reconcile to the relevant entries in the service provider's balance sheet.

The accounting adjustments made in the preparation of regulatory financial statements must be consistent with ensuring that the capital expenditure:

- reflects the total amount associated with capital assets that have been installed or passed to the control of the service provider's business within each accounting period, including the cost of assets that have been the subject of a capital contribution from any party; and
- is recorded on an "as incurred" basis and includes expenditure on capital assets that did not enter into service during the year, but excludes any amount for the interest (or like allowance) incurred during construction.

Asset revaluations or adjustments for impairment (whether the adjustments would have the effect of increasing or decreasing asset values) are not permitted in regulatory financial statements unless they are made in accordance with the provisions for redundant capital under sections 6.61 to 6.63 of the Access Code. Asset revaluations must be eliminated as an adjustment between the base accounts and regulatory financial statements.

Goodwill and any related impairments are not permitted in regulatory financial statements. They must be eliminated as an adjustment between the base accounts and regulatory financial statements.

Capital expenditure must be disaggregated and allocated to business segments, being:

- covered transmission services;
- excluded transmission services;
- covered distribution services;
- excluded distribution services;
- system management activities relating to the ring-fenced component of System Management accountable for market related activities; and
- other non-covered business activities and services (each to be identified separately).

Within each business segment, capital expenditure must be disaggregated into the following asset categories and reasons for the expenditure:

- growth – capital expenditure for the purposes of increasing the capacity of assets or construction of new assets to meet growth in demand;
- asset replacement and renewal – capital expenditure for the purposes of replacing assets and maintaining service levels;
- improvement in service – capital expenditure for the purposes of improving service levels and reliability to meet customer preferences;
- compliance – capital expenditure for the purposes of meeting regulatory obligations; and
- corporate – capital expenditure for corporate activities.

### 3.8.2 Operating expenditure

Operating expenditure must be disaggregated and allocated to business segments, being:

- covered transmission services;
- excluded transmission services;
- covered distribution services;
- excluded distribution services;
- system management activities relating to the ring-fenced component of System Management accountable for market related activities; and
- other non-covered business activities and services (each to be identified separately).

Within each business segment, operating expenditure must be further disaggregated into the following categories:

- operations;
- maintenance;
- customer service and billing;
- corporate; and
- other operating expenditure.

### 3.8.3 Revenue

Revenue must be disaggregated and allocated to business segments, being:

- covered transmission services;
- excluded transmission services;
- covered distribution services;
- excluded distribution services;
- system management activities relating to the ring-fenced component of System Management accountable for market related activities; and
- other non-covered business activities and services (each to be identified separately).

Within each business segment, revenue must be further disaggregated into the following categories:

- tariff revenue;
- contributions (excluding gifted assets);
- gifted assets;
- proceeds from asset disposals; and
- other revenue.

### 3.8.4 Contributions

Where a service provider receives contributions from any party (including any government or government body) for the financial year, the service provider must disclose the value of the contributions at an appropriate level of disaggregation that does not compromise the commercial operations of the service provider and/or its customers.

The service provider should note that the Authority may require the service provider to supply, as additional information to the access arrangement information, more detailed information on contributions. Specifically, where a service provider receives contributions from any party (including any government or government body) for the financial year, the service provider may be required to disclose, in a format to be advised by the Authority:

- the reason for the contribution;
- whether the contribution was received from a customer or a government body (where that government body is not a customer);
- the accounting treatment used to record the contribution in the base accounts (that is, revenue or equity);
- whether the contribution was made in respect of operating or capital expenditures;
- whether the contribution was made in respect of a covered service, an excluded service or some other service; and
- the value of the contribution.

## 4 Information Supporting a Target Revenue Proposal

### 4.1 Requirement

Access arrangement information must include information to support a service provider's proposal for target revenue under Subchapter 6.1 of the Access Code.

Section 6.2 of the Access Code provides for target revenue to be set:

- a) by reference to the service provider's approved total costs; or
- b) by an amount implied by setting tariffs with reference to tariffs in previous access arrangement periods and to changes in costs and productivity in the electricity industry; or
- c) by a combination of these two methods.

Where target revenue is set in whole or in part by the first of these methods, the information supporting the proposal for target revenue must include forecasts of costs and information in support of these forecasts.

Where target revenue is set in whole or in part by the second of these methods, the information supporting the proposal for target revenue must include information on the analysis and financial calculations used to establish the changes in costs and productivity in the electricity industry as a whole and the application of these changes to the service provider's business.

It is noted that section 14.4 of the Access Code requires a service provider to collect and maintain data regarding target revenue. Specifically, the service provider must, in accordance with good electricity practice, throughout the access arrangement period:

- collect and maintain data on any variables used in the access arrangement or access arrangement information in connection with cost allocations for the derivation of target revenue; and
- make that information available to the Authority on reasonable request.

The information requirements set out in the following sections of this guideline may assist the service provider in meeting the requirements of section 14.4 of the Access Code. Compliance with the requirements of this guideline, however, does not replace the requirement for compliance under section 14.4 of the Access Code.

### 4.2 Purpose and time periods

Information supporting a target revenue proposal is required to assist in understanding the determination of the amount of target revenue and an assessment of whether the amount of target revenue complies with the requirements of the Access Code.

Information supporting a target revenue proposal must be prepared for the purposes of supporting an amount of target revenue in each year of the access arrangement period.

### 4.3 Information in support of forecasts of costs

#### 4.3.1 Underlying assumptions

Information supporting forecasts of costs must include:

- the assumptions on which forecasts are based;
- a full and detailed explanation of the basis of preparation of the forecasts; and

- evidence to show the forecasts only include costs which would be incurred by a service provider efficiently minimising costs.

### 4.3.2 Cost allocation

The preparation of forecasts of costs must entail an allocation of costs between the various regulated (covered) and unregulated (non-covered) components of the service provider's business.

The allocation of cost items must be based on the following principles.

- Items that are directly attributable to a business component are allocated accordingly.
- Items that are not directly attributable to a business component are to be allocated, where practicable, on a causation basis.
- Items that are not directly attributable and cannot be practicably allocated on a causation basis must be allocated by a method determined by the service provider. In such cases, the access arrangement information must include a supporting note for each item thus allocated indicating:
  - the basis for allocation;
  - the reason for choosing that basis; and
  - an explanation for why no causal relationship could be established.
- Consistency with previous years' allocation policies or, if not, any change to the allocation policy must be fully explained and prior year figures restated accordingly.

### 4.3.3 Pro forma forecast statements

The forecasts of costs, and information in support of these forecasts, must be presented in accordance with the pro forma statements provided in **Appendix B** of this guideline.

The service provider may apply discretionary headings in the forecast statements, as required. Any discretionary headings, however, must be consistent with discretionary headings used in the service provider's regulatory financial statements.

## 4.4 Requirements for specific forecasts of costs

### 4.4.1 Forecast capital expenditure

Forecasts of capital expenditure must be disaggregated and allocated to business segments, being:

- covered transmission services;
- excluded transmission services;
- covered distribution services;
- excluded distribution services;
- system management activities relating to the ring-fenced component of System Management accountable for market related activities; and
- other non-covered business activities and services (each to be identified separately).



Within each business segment, forecast capital expenditure must be disaggregated into the following asset categories and reasons for the expenditure:

- growth – capital expenditure for the purposes of increasing the capacity of assets or construction of new assets to meet growth in demand;
- asset replacement and renewal – capital expenditure for the purposes of replacing assets and maintaining service levels;
- improvement in service – capital expenditure for the purposes of improving service levels and reliability to meet regulatory requirements and customer preferences;
- compliance – capital expenditure for the purposes of meeting regulatory obligations; and
- corporate – capital expenditure for corporate activities.

The service provider should note that the Authority may require the service provider to supply, as additional information to the access arrangement information, more detailed information on capital expenditure. Specifically, the service provider may be required to disclose, in a format to be advised by the Authority, forecast capital expenditure in each business segment disaggregated by capital projects, consistent with the definition and delineation of projects used for the purposes of the regulatory test and new facilities investment test.

Forecasts of capital expenditure must be accompanied by, at least:

- details of the methods used to develop the forecasts;
- the forecasts of load growth relied upon to derive the forecasts and details of the methods and assumptions used to develop the forecasts of capital expenditure from the forecasts of load growth;
- a description of asset management plans relied upon to derive the forecasts of capital expenditure for the purposes of replacing assets and maintaining service levels; and details of the methods and assumptions used to develop the forecasts of capital expenditure in accordance with the asset management plans;
- a description of any regulatory obligations in service standards that have given rise to forecast capital expenditure and details of the methods and assumptions used to develop the forecasts of capital expenditure from the regulatory obligations;
- a description of any consideration of consumer preferences that have given rise to forecast capital expenditure and details of the methods and assumptions used to develop the forecasts of capital expenditure from considerations of consumer preferences;
- quantification and an explanation of material variations in the forecast of capital expenditure from historic levels of, and trends in, amounts of capital expenditure; and
- the justification and reasons of the service provider that the forecast capital expenditure is reasonably expected to meet the test for being added to the capital base under section 6.51A of the Access Code.

Section 5 of this guideline sets out further information requirements with respect to the test, under section 6.51A of the Access Code, for adding new facilities investment to the capital base.

#### 4.4.2 Depreciation

Statements of depreciation allowances taken into account in determining a proposal for target revenue must be based on depreciation schedules for categories of assets.

Statements of depreciation allowances must be accompanied by:

- details of the calculation method of the allowances for each category of assets and all values of parameters used in the calculation; and
- identification of, and reasons for, any accelerated depreciation of an asset.

#### 4.4.3 Forecast non-capital expenditure

Forecast non-capital expenditure must only include that expenditure which would be incurred by a service provider efficiently minimising costs. Total forecast non-capital expenditure must be disaggregated and allocated to the following business segments:

- covered transmission services;
- excluded transmission services;
- covered distribution services;
- excluded distribution services;
- system management activities relating to the ring-fenced component of System Management accountable for market related activities; and
- other non-covered business activities and services (each to be identified separately).

Within each business segment, forecasts of non-capital expenditure must be further disaggregated into activity categories that are consistent with at least the following broad activity classifications, but with other discretionary classifications as determined by the service provider:

- operations;
- maintenance;
- customer service and billing;
- corporate; and
- other operating expenditure.

Forecasts of non-capital expenditure must be accompanied by, at least:

- details of the methods used to develop the forecasts;
- the forecasts of parameters relied upon to derive the forecasts and details of the methods and assumptions used to develop the forecasts of non-capital expenditure from these parameters;
- a description of asset maintenance plans relied upon to derive the forecasts of non-capital expenditure for the purposes of maintaining service levels, and details of the methods and assumptions used to develop the forecasts of non-capital expenditure in accordance with the asset maintenance plans;
- a description of any regulatory obligations in service standards that have given rise to forecast non-capital expenditure and details of the methods and assumptions used to develop the forecasts of non-capital expenditure from the regulatory obligations;

- a description of any consideration of consumer preferences that have given rise to forecast non-capital expenditure and details of the methods and assumptions used to develop the forecasts of non-capital expenditure from considerations of consumer preferences;
- quantification of amounts relating to any projected changes in input prices and support for those assumptions;
- quantification and an explanation of material variations in the forecast of non-capital expenditure from historic levels of, and trends in, amounts of non-capital expenditure;
- non recurrent costs must be separately identified; and
- evidence to show that the forecast costs only include those which would be incurred by a service provider efficiently minimising costs as required in sections 6.40 and 6.41 of the Access Code.

#### 4.4.4 Interactions between capital and non-capital expenditure

A proposal for target revenue must contain identification and explanation of any significant interactions between the service provider's forecast capital expenditure and forecast non-capital expenditure.

#### 4.4.5 Forecast capital base

A proposal for target revenue must set out details of the forecast capital base for each year of the access arrangement, calculated separately for covered transmission services and covered distribution services, including as a minimum details of:

- the opening capital base, consistent with the requirements set out in section 4.5 of these guidelines;
- forecast capital expenditure, consistent with the requirements set out in section 4.4.1 of these guidelines;
- forecast depreciation, consistent with the requirements of section 4.4.2 of these guidelines; and
- the return on the capital base, including details of how this has been calculated and evidence supporting the assumptions made.

### 4.5 Opening capital base

#### 4.5.1 Requirement

The access arrangement information must set out the proposed capital base for the start of the access arrangement period and provide evidence that it has been calculated in a manner which is consistent with the objectives of the Access Code. The opening capital base must be calculated separately for covered transmission services and covered distribution services and must not include forecast new facilities investment.

#### 4.5.2 Roll-forward calculation method

If the capital base is calculated by a roll-forward calculation as described in the note to section 6.48 of the Access Code, the access arrangement information must include an explanation of the calculation method and details of all amounts, values and other parameters used by the service provider in the calculation. This will generally include new facilities investment incurred during the current access arrangement period less

depreciation plus a return on the capital base at the rate approved in the current access arrangement.

Actual expenditure data for the current access arrangement period may not be available at the time an access arrangement proposal is submitted. To the extent that actual expenditure data is available, this should be provided, and supplemented with estimates and up-to-date forecasts.

### **4.5.3 Capital expenditure**

Statements of the amounts of capital expenditure taken into account in determining the opening capital value must be consistent with the regulatory accounts and separately indicate:

- any amount of actual capital expenditure relating to assets constructed in the current access arrangement period and brought to account in the proposal for target revenue, as an adjustment to target revenue, for unforeseen events under section 6.6 of the Access Code;
- any amount of actual capital expenditure relating to assets constructed in the current access arrangement period and brought to account in the proposal for target revenue, as an adjustment to target revenue, for changes in the technical rules under section 6.9 of the Access Code ;
- any amount of actual capital expenditure relating to assets constructed in the current access arrangement period and brought to account in the proposal for target revenue under an investment adjustment mechanism, under sections 6.13 and 6.14 of the Access Code; and
- any amount of capital expenditure relevant to any other approved adjustment mechanism in the current access arrangement.

Evidence must be provided to demonstrate that any capital expenditure added to the capital base relating to new facilities investment meets the new facilities investment test set out in section 6.51A of the Access Code.

Sections 4.6 and 5 of these guidelines set out further requirements in relation to adjustments to target revenue and the test of section 6.51A of the Access Code respectively.

### **4.5.4 Reconciliation of actual capital expenditure with forecasts**

To enable the Authority to develop a better understanding of the requirements for capital expenditure, the access arrangement information must include a reconciliation of actual capital expenditure included in the opening capital base with the forecast amounts included in the current access arrangement. An explanation must be provided for any significant variations compared with the capital expenditure approved in the current access arrangement. The asset classes for capital expenditure must be consistent with the asset classes used in the current access arrangement.

### **4.5.5 Other calculation methods**

If the opening capital base is calculated by any method other than a roll-forward calculation, the access arrangement information must include:

- an explanation of the calculation method and details of all amounts, values and other parameters used by the service provider in the calculation; and
- the service provider's justification and reasons that the method of calculation is consistent with the (Access) Code objective.

## 4.6 Adjustments to target revenue

### 4.6.1 Unforeseen events

Where an adjustment to target revenue is to be made under section 6.6 of the Access Code, the access arrangement information must include:

- descriptions of relevant *force majeure* events;
- for each *force majeure* event, description and justification that the service provider held relevant insurance to the standard of a reasonable and prudent person;
- for each *force majeure* event, amount, or forecast amount, of unrecovered costs sought to be recovered through an adjustment to target revenue;
- evidence that the amount to be recovered through an adjustment to target revenue is an amount that does not exceed the costs which would have been incurred by a service provider efficiently minimising costs; and
- evidence that the amount to be recovered through an adjustment to target revenue is an amount in addition to any amount that is recoverable through a claim on an insurance policy.

### 4.6.2 Technical rule changes

Where an adjustment to target revenue is to be made under section 6.9 of the Access Code, the access arrangement information must include:

- descriptions of relevant changes to the technical rules;
- for changes to the technical rules that gave rise to costs to the service provider,
  - the amount of costs;
  - evidence that the service provider made no allowance for costs arising from the changes to technical rules in the current access arrangement, and
  - reasons why the service provider could not have reasonably foreseen the costs of complying with the changes to the technical rules at the time that the current access arrangement was approved;
- for changes to the technical rules that gave rise to savings of costs to the service provider,
  - the amount of cost savings; and
  - evidence that the amount to be recovered through an adjustment to target revenue does not exceed the costs which would have been incurred by a service provider efficiently minimising costs.

### 4.6.3 Investment adjustment mechanism

Where an adjustment to target revenue is to be made under section 6.14 of the Access Code, the access arrangement information must include:

- details of how the adjustment to target revenue has been calculated;
- comparison of the assumptions underlying the original forecasts (for example, growth in demand or number of new connections) with the actual results and the impact on expenditure;

- evidence that the amount to be recovered through an adjustment to target revenue does not exceed the costs which would have been incurred by a service provider efficiently minimising costs; and
- if relevant, evidence that service targets were achieved.

#### **4.6.4 Gain sharing mechanism**

Where an adjustment to target revenue is to be made under section 6.27 of the Access Code, the access arrangement information must include:

- details of how the adjustment to target revenue has been calculated;
- evidence that the benchmark and actual non-capital costs have been adjusted to ensure that a like-for-like comparison is made, and that efficiency improvements are measured appropriately; and
- if relevant, evidence to show that service targets were achieved.

#### **4.6.5 Service standards adjustment mechanism**

Where an adjustment to target revenue is to be made under section 6.29 of the Access Code, the access arrangement information must include:

- details of how the adjustment to target revenue has been calculated;
- evidence to support the reported performance measures; and
- evidence that the calculation complies with the approved mechanism in the current access arrangement.

#### **4.6.6 Other mechanisms for adjustments**

Where an adjustment to target revenue is to be made in relation to other approved mechanisms, as approved in the service provider's current access arrangement, the access arrangement information must include:

- details of the relevant capital and non-capital expenditure incurred during the current access arrangement and how the adjustment to target revenue has been calculated; and
- supporting evidence to demonstrate that:
  - in the case of any deferred capital expenditure, evidence that it was included in the allowed capital expenditure for the current access arrangement; and
  - in the case of any additional expenditure claimed, evidence that the additional expenditure meets any relevant criteria set out in the service provider's access arrangement and that the relevant tests as set out in sections 6.40 and 6.51A of the Access Code are satisfied.

## 5 Information Supporting the Application of the New Facilities Investment Test

### 5.1 Requirement

Access arrangement information must include information to support a service provider's proposal to add new facilities investment to the capital base under section 6.51A of the Access Code.

Section 6.51A of the Access Code provides that new facilities investment may be added to the capital base if:

- it satisfies the new facilities investment test (as set out under section 6.52 of the Access Code); or
- the Authority otherwise approves it being added to the capital base if:
  - it has been, or is expected to be, the subject of a contribution; and
  - it meets the requirements of section 6.52(a) of the new facilities investment test; and
  - the access arrangement contains a mechanism designed to ensure that there is no double recovery of costs as a result of the addition.

Under section 6.52 of the Access Code, new facilities investment satisfies the new facilities investment test if:

- the new facilities investment does not exceed the amount that would be invested by a service provider efficiently minimising costs; and
- one or more of the following conditions is satisfied:
  - either the anticipated incremental revenue for the new facility is expected to at least recover the new facilities investment, or if a modified test applies, the modified test is satisfied; or
  - the new facility provides a net benefit in the covered network over a reasonable period of time that justifies the approval of higher reference tariffs; or
  - the new facility is necessary to maintain the safety or reliability of the covered network or its ability to provide contracted covered services.

### 5.2 Purpose

Information supporting a proposal to add new facilities investment to the capital base is required to assist in the assessment of whether the new facilities investment complies with the requirements of the Access Code.

### 5.3 Time periods

Information supporting the application of the new facilities investment test must be prepared for the purposes of supporting an amount of new facilities investment to be added to the capital base for each year of the access arrangement period.

## **5.4 Information in support of actual new facilities investment**

The service provider must provide adequate information to support its claims that actual new facilities investment undertaken, or forecast to be undertaken, during the current access arrangement period satisfies the test under section 6.51A of the Access Code.

### **5.4.1 Efficiently minimising costs**

The service provider must provide information to support its claim that the new facilities investment does not exceed the amount that would be invested by a service provider efficiently minimising costs.

As a minimum, supporting information should include, at an appropriate level of disaggregation that does not compromise the commercial operations of the service provider and/or its customers:

- a summary (in tabular/spreadsheet form) of the new facilities investment incurred or expected to be incurred during the current access arrangement period, by expenditure category and by major project and/or program, in comparison with that forecast for the current access arrangement period;
- identification of the major projects and/or programs on which expenditure occurred or is expected to occur in the current access arrangement period, giving details of the expenditure such as commencement and completion and/or commissioning dates;
- detailed explanations for any variances between the forecast and actual new facilities investment for the current access arrangement period; and
- material to demonstrate that the new facilities investment planned for or undertaken in the current access arrangement period did not exceed the amount that would be invested by a service provider efficiently minimising costs.

### **5.4.2 New facilities investment test criteria**

Where new facilities investment is being added to the capital base for reasons of it satisfying the new facilities investment test, the service provider must provide an indication of the amount claimed to satisfy the new facilities investment test under section 6.52(b) of the Access Code.

As a minimum, supporting information should include, at an appropriate level of disaggregation that does not compromise the commercial operations of the service provider and/or its customers:

- details of the calculation of any incremental revenue under section 6.52(b)(i)A of the Access Code, including details and justification of relevant assumptions;
- details of the qualitative and/or quantitative assessment of any net benefits under section 6.52(b)(ii) of the Access Code and the reasons as to why these net benefits justify the approval of higher reference tariffs; and
- details of the justification for any investment, where all or part of the new facilities investment is claimed to satisfy section 6.52(b)(iii) of the Access Code.

### **5.4.3 Other criteria**

Where new facilities investment is being added to the capital base for reasons of it being subject to a contribution, the service provider must provide an indication of the amount claimed to satisfy the test under section 6.51A(b) of the Access Code.



As a minimum, supporting information should include, at an appropriate level of disaggregation that does not compromise the commercial operations of the service provider and/or its customers:

- the amount financed by contributions; and
- details to support the service provider's claim that there is a mechanism within the access arrangement that ensures there is no double recovery of costs, including details of how the mechanism works.

#### **5.4.4 Requirement for additional information**

The service provider should note that the Authority may require the service provider to supply, as additional information to the access arrangement information, more detailed information by individual capital project and/or capital program. For example, the Authority may require for major capital projects and/or programs, detailed information relating to the calculation of incremental revenue and/or contributions by customer.

#### **5.4.5 Interaction with regulatory financial statements**

In aggregate, amounts of actual new facilities investment should be traceable to the regulatory financial statements that are required under Section 3.7 of this guideline.

### **5.5 Information in support of forecast new facilities investment**

The service provider must provide adequate information to support its claims that forecast new facilities investment for the forthcoming access arrangement period is reasonably expected to satisfy the test under section 6.51A of the Access Code at the time the investment is forecast to be made.

As a minimum, supporting information should include, at an appropriate level of disaggregation that does not compromise the commercial operations of the service provider and/or its customers:

- information to support the service provider's claim that any amount of forecast new facilities investment is reasonably expected to be consistent with a service provider efficiently minimising costs;
- information to support the service provider's claim that any amount of forecast new facilities investment is reasonably expected to satisfy one or more of the conditions under section 6.52(b) of the Access Code, including as a minimum:
  - details of the calculation of any forecast incremental revenue under section 6.52(b)(i)A of the Access Code, including details and justification of relevant assumptions;
  - details of any qualitative and/or quantitative assessment of any forecast net benefits under section 6.52(b)(ii) of the Access Code and the reasons as to why these net benefits justify the approval of higher reference tariffs; and
  - details of the justification for any forecast investment, where all or part of the forecast new facilities investment is claimed to satisfy section 6.52(b)(iii) of the Access Code; and
- information to support the service provider's claim that any amount of forecast new facilities investment is reasonably expected to satisfy the test under section 6.51A(b) of the Access Code, including, as a minimum, the forecast amount to be financed by contributions.

### **5.5.1 Requirement for additional information**

The service provider should note that the Authority may require the service provider to supply, as additional information to the access arrangement information, more detailed information on forecast new facilities investment for the forthcoming access arrangement period that is reasonably expected to satisfy the test under section 6.51A of the Access Code. Specifically, the Authority may require a detailed list of individual capital projects and/or programs that have been included, or allowed for, in the forecast of new facilities investment as actually submitted in the access arrangement proposal for the forthcoming access arrangement period.

### **5.5.2 Interaction with forecast cost statements**

In aggregate, amounts of forecast new facilities investment should be traceable to the forecast cost statements that are required under Section 4.3.3 of this guideline.

## 6 Information Supporting Service Standard Benchmarks and Performance

### 6.1 Requirement

Access arrangement information should include information to support the service provider's proposal for particular service standard benchmarks and actual service standard performance.

Section 5.1(c) of the Access Code requires an access arrangement to include service standard benchmarks, under section 5.6, for each reference service.

Section 5.6 of the Access Code requires a service standard benchmark for a reference service to be reasonable and sufficiently detailed and complete to enable a user or applicant to determine the value represented by the reference service at the reference tariff.

Under section 11.1 of the Access Code, a service provider must provide reference services at a service standard at least equivalent to the service standard benchmarks set out in the access arrangement. Non-reference services must be provided to a service standard at least equivalent to the service standard in the access contract.

### 6.2 Purpose

Information supporting service standard benchmarks and actual service standard performance is required to assist in the assessment of whether the proposed benchmarks and actual performance meet the requirements of the Access Code.

### 6.3 Information in support of service standard benchmarks

Access arrangement information must include information to support a service provider's claim that a service standard benchmark for a reference service is reasonable and sufficiently detailed and complete to determine the value of the reference service.

As a minimum, supporting information should include a detailed explanation as to how the service standard benchmarks were set, including:

- details and justification of any historical measures/trends that were used as the basis to determine the service standard benchmarks for the forthcoming access arrangement period; and
- details and justification of any adjustments made to correct for factors that are likely to cause service standards to vary from historical measures/trends (for example, new investment or changes to maintenance activities that directly or indirectly affect service quality).

### 6.4 Information in support of service standard performance

Under Chapter 11 of the Access Code, the Authority is required to monitor and, at least once each year, publish a service provider's actual service standard performance against the service standard benchmarks in the access arrangement.

For the purposes of monitoring the service provider's actual service standard performance the Authority may, under section 11.3 of the Access Code, request a "service standard performance report" from the service provider. This request can specify:

- a period of time which must be covered in the report;

- criteria to be addressed in the report; and
- the format required for the report.

Service standard performance reports prepared by the service provider, in response to requests made by the Authority under section 11.3 of the Access Code, may be referenced and/or included as part of the access arrangement information. Regardless of this, access arrangement information must include as a minimum:

- a description of and explanation for the service standard benchmarks that apply to each reference service in the access arrangement, including the method for calculation; and
- for each year of the access arrangement period, the actual service standard performance achieved for each reference service, in comparison with the service standard benchmark that was set for the reference service; and
  - where actual performance is equivalent to, or better than, the service standard benchmark, information in support of any actions or plans that were undertaken (and/or to be undertaken) to achieve (and/or to maintain) the performance level; or
  - where actual performance is worse than the service standard benchmark, detailed reasons as to why this is the case and information in support of any actions or plans to be undertaken to improve the performance level.

Where relevant, the reported actual service standard performance must reconcile with any related figures reported elsewhere by the service provider for other purposes, for example, the reporting of service standards data to meet licensing obligations.

## 7 Information Supporting Gain Sharing Mechanisms

### 7.1 Requirement

Under section 5.25 of the Access Code an access arrangement which contains a gain sharing mechanism must, and an access arrangement which does not contain a gain sharing mechanism may, contain efficiency and innovation benchmarks.

Efficiency and innovation benchmarks must, under section 5.26 of the Access Code:

- be sufficiently detailed and complete to permit the Authority to make a determination at the next access arrangement review;
- provide an objective standard for assessing the service provider's efficiency and innovation during the access arrangement period; and
- be reasonable.

### 7.2 Purpose

Information supporting a gain sharing mechanism is required to assist in the assessment of whether the gain sharing mechanism meets the requirements of the Access Code.

### 7.3 Information in support of gain sharing mechanisms

Demonstrating the effects of a gain sharing mechanism in the previous access arrangement period requires an explanation of the increments for efficiency gains and/or decrements for efficiency losses that have occurred and the quantification of any carry-over amount. Evidence must be provided to support any financial information included in the calculations.

In circumstances where an existing gain sharing mechanism is proposed to continue from one access arrangement period to the next, the access arrangement information must demonstrate how the pre-existing gain sharing mechanism meets the objectives of section 6.21 of the Access Code.

## Appendix A: Pro Forma Regulatory Financial Statements

1. Profit and loss (disaggregated)
2. Profit and loss (regulatory financial statement)
3. Cash flow statement (disaggregated)
4. Cash flow statement (regulatory financial statement)
5. Balance sheet (disaggregated)
6. Balance sheet (regulatory financial statement)
7. Capital expenditure (disaggregated)
8. Capital expenditure (regulatory financial statement)
9. Operating expenditure (disaggregated)
10. Contributions

Note: These pro forma regulatory financial statements are available in Microsoft Excel (.xlsx) format from the ERA's website.

**1. Profit and loss (disaggregated)**

Profit and loss for period ended [period end]

A/c Code	Description	Base A/c	Covered transmission	Excluded transmission	Covered distribution	Excluded distribution	System Management services (i)	Non covered activities/ services (ii)
	Network charges							
	Contributions (excluding gifted assets)							
	Gifted Assets							
	Gross proceeds from sale of assets							
	Other revenue							
	<b>Total revenue</b>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	Operating expenditure costs							
	<i>Operations</i>							
	<i>Maintenance</i>							
	<i>Customer service and billing</i>							
	<i>Corporate</i>							
	<i>Other operating expenditure</i>							
	Depreciation							
	Bad debts							
	Borrowing costs							
	Book value of assets disposed							
	<b>Earnings before taxation</b>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	<b>Taxation</b>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	<b>Profit after taxation</b>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

*Notes*

- (i) *To include all activities relating to the ring-fenced component of System Management accountable for market related activities.*
- (ii) *All non covered businesses and services to be identified separately.*

**2. Profit and loss (regulatory financial statement)**

**Profit and loss for period ended** [period end]  
**Covered transmission**

A/c Code	Description	Base A/c	Adjustment	Reg A/c	Support Ref.
	Network charges				
	Contributions (excluding gifted assets)				
	Gifted Assets				
	Gross proceeds from sale of assets				
	Other revenue				
	<b>Total revenue</b>	<hr/> <hr/>			
	Operating expenditure costs				
	<i>Operations</i>				
	<i>Maintenance</i>				
	<i>Customer service and billing</i>				
	<i>Corporate</i>				
	<i>Other operating expenditure</i>				
	Depreciation				
	Bad debts				
	Borrowing costs				
	Book value of assets disposed				
	<b>Earnings before taxation</b>	<hr/> <hr/>			
	<b>Taxation</b>	<hr/> <hr/>			
	<b>Profit after taxation</b>	<hr/> <hr/>			

**Profit and loss for period ended** [period end]  
**Covered distribution**

A/c Code	Description	Base A/c	Adjustment	Reg A/c	Support Ref.
	Network charges				
	Contributions (excluding gifted assets)				
	Gifted Assets				
	Gross proceeds from sale of assets				
	Other revenue				
	<b>Total revenue</b>	<hr/> <hr/>			
	Operating expenditure costs				
	<i>Operations</i>				
	<i>Maintenance</i>				
	<i>Customer service and billing</i>				
	<i>Corporate</i>				
	<i>Other operating expenditure</i>				
	Depreciation				
	Bad debts				
	Borrowing costs				
	Book value of assets disposed				
	<b>Earnings before taxation</b>	<hr/> <hr/>			
	<b>Taxation</b>	<hr/> <hr/>			
	<b>Profit after taxation</b>	<hr/> <hr/>			



### 3. Cash flow statement (disaggregated)

Cash flow for period ended

[period end]

A/c Code	Description	Base A/c	Covered transmission	Excluded transmission	Covered distribution	Excluded distribution	System Management services (i)	Non covered activities/ services (ii)
	Operating activities							
	Receipts							
	Payments							
	<b>Net operating cash flow</b>							
	Investing activities							
	Receipts							
	Payments							
	<b>Net investing cash flow</b>							
	Financing activities							
	Receipts							
	Payments							
	<b>Net financing cash flow</b>							
	<b>Net increase (decrease) in cash held</b>							
	Cash at beginning of period							
	Cash at end of period							

**Notes**

- (i) To include all activities relating to the ring-fenced component of System Management accountable for market related activities.
- (ii) All non covered businesses and services to be identified separately.

**4. Cash flow statement (regulatory financial statement)**

Cash flow for period ended [period end]  
**Covered transmission**

A/c Code	Description	Base A/c	Adjustment	Reg A/c	Support Ref.
	Operating activities				
	<i>Receipts</i>				
	<i>Payments</i>				
	<b>Net operating cash flow</b>				
	Investing activities				
	<i>Receipts</i>				
	<i>Payments</i>				
	<b>Net investing cash flow</b>				
	Financing activities				
	<i>Receipts</i>				
	<i>Payments</i>				
	<b>Net financing cash flow</b>				
	<b>Net increase (decrease) in cash held</b>				
	Cash at beginning of period				
	Cash at end of period				

Cash flow for period ended [period end]  
**Covered distribution**

A/c Code	Description	Base A/c	Adjustment	Reg A/c	Support Ref.
	Operating activities				
	<i>Receipts</i>				
	<i>Payments</i>				
	<b>Net operating cash flow</b>				
	Investing activities				
	<i>Receipts</i>				
	<i>Payments</i>				
	<b>Net investing cash flow</b>				
	Financing activities				
	<i>Receipts</i>				
	<i>Payments</i>				
	<b>Net financing cash flow</b>				
	<b>Net increase (decrease) in cash held</b>				
	Cash at beginning of period				
	Cash at end of period				

## 5. Balance sheet (disaggregated)

Balance sheet for period ended [period end]

A/c Code	Description	Base A/c	Covered transmission	Excluded transmission	Covered distribution	Excluded distribution	System Management services (i)	Non covered activities/ services (ii)
	Current assets							
	Cash							
	Receivables							
	Investments							
	Prepayments							
	Accrued revenue							
	Inventories							
	<b>Total current assets</b>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	Non-current assets							
	Property plant and equipment							
	Receivables							
	Investments							
	Other							
	<b>Total non-current assets</b>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	<b>Total Assets</b>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	Current liabilities							
	Trade creditors and accruals							
	Loans							
	Customer deposits							
	Bank overdraft							
	Provisions							
	<b>Total current liabilities</b>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	Non-current liabilities							
	Provisions							
	<b>Total liabilities</b>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	<b>Net assets / (liabilities)</b>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	Equity							
	Share capital							
	Accumulated profits/losses							
	<b>Total equity / deficiency</b>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	Accumulated profits & losses							
	At start of period							
	Profit / loss retained							
	<b>At end of period</b>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

### Notes

- (i) To include all activities relating to the ring-fenced component of System Management accountable for market related activities.  
(ii) All non covered businesses and services to be identified separately.

## 6. Balance sheet (regulatory financial statement)

Balance sheet for period ended

[period end]

### Covered transmission

A/c Code	Description	Base A/c	Adjustment	Reg A/c	Support Ref.
	Current assets				
	<i>Cash</i>				
	<i>Receivables</i>				
	<i>Investments</i>				
	<i>Prepayments</i>				
	<i>Accrued revenue</i>				
	<i>Inventories</i>				
	<b>Total current assets</b>				
	Non-current assets				
	<i>Property plant and equipment</i>				
	<i>Receivables</i>				
	<i>Investments</i>				
	<i>Other</i>				
	<b>Total non-current assets</b>				
	<b>Total Assets</b>				
	Current liabilities				
	<i>Trade creditors and accruals</i>				
	<i>Loans</i>				
	<i>Customer deposits</i>				
	<i>Bank overdraft</i>				
	<i>Provisions</i>				
	<b>Total current liabilities</b>				
	Non-current liabilities				
	<i>Provisions</i>				
	<b>Total liabilities</b>				
	<b>Net assets / (liabilities)</b>				
	Equity				
	<i>Share capital</i>				
	<i>Accumulated profits/losses</i>				
	<b>Total equity / deficiency</b>				
	Accumulated profits & losses				
	<i>At start of period</i>				
	<i>Profit / loss retained</i>				
	<b><i>At end of period</i></b>				

[6. Balance sheet (regulatory financial statement) continued]

Balance sheet for period ended [period end]

**Covered distribution**

A/c Code	Description	Base A/c	Adjustment	Reg A/c	Support Ref.
	Current assets				
	<i>Cash</i>				
	<i>Receivables</i>				
	<i>Investments</i>				
	<i>Prepayments</i>				
	<i>Accrued revenue</i>				
	<i>Inventories</i>				
	<b>Total current assets</b>				
	Non-current assets				
	<i>Property plant and equipment</i>				
	<i>Receivables</i>				
	<i>Investments</i>				
	<i>Other</i>				
	<b>Total non-current assets</b>				
	<b>Total Assets</b>				
	Current liabilities				
	<i>Trade creditors and accruals</i>				
	<i>Loans</i>				
	<i>Customer deposits</i>				
	<i>Bank overdraft</i>				
	<i>Provisions</i>				
	<b>Total current liabilities</b>				
	Non-current liabilities				
	<i>Provisions</i>				
	<b>Total liabilities</b>				
	<b>Net assets / (liabilities)</b>				
	Equity				
	<i>Share capital</i>				
	<i>Accumulated profits/losses</i>				
	<b>Total equity / deficiency</b>				
	Accumulated profits & losses				
	<i>At start of period</i>				
	<i>Profit / loss retained</i>				
	<b><i>At end of period</i></b>				

**7. Capital expenditure (disaggregated)**

Capital expenditure for period ended [period end]

A/c Code	Description	Base A/c	Covered transmission	Excluded transmission	Covered distribution	Excluded distribution	System Management services (i)	Non covered activities/ services (ii)
	Capital additions							
	[Discretionary headings]							
	[Discretionary headings]							
	[Discretionary headings]							
	[Discretionary headings]							
	[Discretionary headings]							
	<b>Total additions</b>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**Notes**

- (i) To include all activities relating to the ring-fenced component of System Management accountable for market related activities.
- (ii) All non covered businesses and services to be identified separately.

**8. Capital expenditure (regulatory financial statement)**

Capital expenditure for period ended [period end]  
**Covered transmission**

A/c Code	Description	Base A/c	Adjustment	Reg A/c	Support Ref.
	Asset categories				
	<i>[Discretionary headings]</i>				
	<i>[Discretionary headings]</i>				
	<i>[Discretionary headings]</i>				
	<i>[Discretionary headings]</i>				
	<i>[Discretionary headings]</i>				
	<b>Total capex</b>	<hr/> <hr/>			
	Asset reason				
	<i>Growth</i>				
	<i>Replacement and renewal</i>				
	<i>Improvement in service</i>				
	<i>Compliance</i>				
	<i>Corporate</i>				
	<b>Total capex</b>	<hr/> <hr/>			

Capital expenditure for period ended [period end]  
**Covered distribution**

A/c Code	Description	Base A/c	Adjustment	Reg A/c	Support Ref.
	Asset categories				
	<i>[Discretionary headings]</i>				
	<i>[Discretionary headings]</i>				
	<i>[Discretionary headings]</i>				
	<i>[Discretionary headings]</i>				
	<i>[Discretionary headings]</i>				
	<b>Total capex</b>	<hr/> <hr/>			
	Asset reason				
	<i>Growth</i>				
	<i>Replacement and renewal</i>				
	<i>Improvement in service</i>				
	<i>Compliance</i>				
	<i>Corporate</i>				
	<b>Total capex</b>	<hr/> <hr/>			

Capital expenditure for period ended [period end]  
**Ringfenced activities/services**

A/c Code	Description	Base A/c	Adjustment	Reg A/c	Support Ref.
	Asset categories				
	<i>[Discretionary headings]</i>				
	<i>[Discretionary headings]</i>				
	<i>[Discretionary headings]</i>				
	<i>[Discretionary headings]</i>				
	<i>[Discretionary headings]</i>				
	<b>Total capex</b>	<hr/> <hr/>			
	Asset reason				
	<i>Growth</i>				
	<i>Replacement and renewal</i>				
	<i>Improvement in service</i>				
	<i>Compliance</i>				
	<i>Corporate</i>				
	<b>Total capex</b>	<hr/> <hr/>			

**9. Operating expenditure (disaggregated)**

Operating expenditure for period ended [period end]

A/c Code	Description	Base A/c	Covered transmission	Excluded transmission	Covered distribution	Excluded distribution	System Management services (i)	Non covered activities/ services (ii)
	Directly attributed costs							
	<i>Operations</i>							
	<i>Maintenance</i>							
	<i>Customer service and billing</i>							
	<i>Corporate</i>							
	<i>Other operating expenditure</i>							
	<b>Total directly attributed costs</b>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	Causally allocated costs							
	<i>Operations</i>							
	<i>Maintenance</i>							
	<i>Customer service and billing</i>							
	<i>Corporate</i>							
	<i>Other operating expenditure</i>							
	<b>Total causally allocated costs</b>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	Other allocated costs							
	<i>Operations</i>							
	<i>Maintenance</i>							
	<i>Customer service and billing</i>							
	<i>Corporate</i>							
	<i>Other operating expenditure</i>							
	<b>Total other allocated costs</b>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	<b>Total</b>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**Notes**

(i) To include all activities relating to the ring-fenced component of System Management accountable for market related activities.

(ii) All non covered businesses and services to be identified separately.



## 10. Contributions

Contributions for period ended

[period end]

### Covered transmission

A/c Code	Reason for contribution	Contribution amount
	<i>[Discretionary headings]</i>	
	<i>[Discretionary headings]</i>	
	<i>[Discretionary headings]</i>	
	<i>[Discretionary headings]</i>	
	<i>[Discretionary headings]</i>	
	<i>[Discretionary headings]</i>	
	<i>[Discretionary headings]</i>	
	<b>Total contribution</b>	<hr/> <hr/>

Contributions for period ended

[period end]

### Covered distribution

A/c Code	Reason for contribution	Contribution amount
	<i>[Discretionary headings]</i>	
	<i>[Discretionary headings]</i>	
	<i>[Discretionary headings]</i>	
	<i>[Discretionary headings]</i>	
	<i>[Discretionary headings]</i>	
	<i>[Discretionary headings]</i>	
	<i>[Discretionary headings]</i>	
	<b>Total contribution</b>	<hr/> <hr/>

## Appendix B: Pro Forma Forecast Statements

1. Historic capital expenditure by asset class
2. Historic capital expenditure by reason
3. Forecast capital expenditure by asset class
4. Forecast capital expenditure by reason
5. Historic non-capital costs by activity category
6. Forecast non-capital costs by activity category

Note: These pro forma regulatory financial statements are available in Microsoft Excel (.xlsx) format from the ERA's website.

## 1. Historic capital expenditure by asset class

Expenditure for period [period] to [period]

Description	Year 1	Year 2	Year 3	... Year n	Total
<b>Covered transmission services</b>					
<i>Asset class 1</i>					
<i>Asset class 2</i>					
...					
<i>Asset class n</i>					
<b>Total</b>					
<b>Excluded transmission services</b>					
<i>Asset class 1</i>					
<i>Asset class 2</i>					
...					
<i>Asset class n</i>					
<b>Total</b>					
<b>Covered distribution services</b>					
<i>Asset class 1</i>					
<i>Asset class 2</i>					
...					
<i>Asset class n</i>					
<b>Total</b>					
<b>Excluded distribution services</b>					
<i>Asset class 1</i>					
<i>Asset class 2</i>					
...					
<i>Asset class n</i>					
<b>Total</b>					
<b>System Management services (i)</b>					
<i>Asset class 1</i>					
<i>Asset class 2</i>					
...					
<i>Asset class n</i>					
<b>Total</b>					
<b>Other non covered businesses and services (ii)</b>					
<i>Asset class 1</i>					
<i>Asset class 2</i>					
...					
<i>Asset class n</i>					
<b>Total</b>					

### Notes

(i) To include all activities relating to the ring-fenced component of System Management accountable for market related activities.

(ii) All non covered businesses and services to be identified separately.

## 2. Historic capital expenditure by reason

Expenditure for period [period] to [period]

Description	Year 1	Year 2	Year 3	... Year n	Total
<b>Covered transmission services</b>					
<i>Growth</i>					
<i>Asset replacement and renewal</i>					
<i>Improvement in service</i>					
<i>Compliance</i>					
<i>Corporate</i>					
<b>Total</b>					
<b>Excluded transmission services</b>					
<i>Growth</i>					
<i>Asset replacement and renewal</i>					
<i>Improvement in service</i>					
<i>Compliance</i>					
<i>Corporate</i>					
<b>Total</b>					
<b>Covered distribution services</b>					
<i>Growth</i>					
<i>Asset replacement and renewal</i>					
<i>Improvement in service</i>					
<i>Compliance</i>					
<i>Corporate</i>					
<b>Total</b>					
<b>Excluded distribution services</b>					
<i>Growth</i>					
<i>Asset replacement and renewal</i>					
<i>Improvement in service</i>					
<i>Compliance</i>					
<i>Corporate</i>					
<b>Total</b>					
<b>System Management services (i)</b>					
<i>Growth</i>					
<i>Asset replacement and renewal</i>					
<i>Improvement in service</i>					
<i>Compliance</i>					
<i>Corporate</i>					
<b>Total</b>					
<b>Other non covered businesses and services (ii)</b>					
<i>Growth</i>					
<i>Asset replacement and renewal</i>					
<i>Improvement in service</i>					
<i>Compliance</i>					
<i>Corporate</i>					
<b>Total</b>					

**Notes**

- (i) To include all activities relating to the ring-fenced component of System Management accountable for market related activities.
- (ii) All non covered businesses and services to be identified separately.

### 3. Forecast capital expenditure by asset class

Expenditure for period beginning

[Period start]

Description	Year 1	Year 2	Year 3	... Year n	Total
Covered transmission services					
<i>Asset class 1</i>					
<i>Asset class 2</i>					
...					
<i>Asset class n</i>					
<b>Total</b>					
Excluded transmission services					
<i>Asset class 1</i>					
<i>Asset class 2</i>					
...					
<i>Asset class n</i>					
<b>Total</b>					
Covered distribution services					
<i>Asset class 1</i>					
<i>Asset class 2</i>					
...					
<i>Asset class n</i>					
<b>Total</b>					
Excluded distribution services					
<i>Asset class 1</i>					
<i>Asset class 2</i>					
...					
<i>Asset class n</i>					
<b>Total</b>					
<b>System Management services (i)</b>					
<i>Asset class 1</i>					
<i>Asset class 2</i>					
...					
<i>Asset class n</i>					
<b>Total</b>					
<b>Other non covered businesses and services (ii)</b>					
<i>Asset class 1</i>					
<i>Asset class 2</i>					
...					
<i>Asset class n</i>					
<b>Total</b>					

#### Notes

(i) To include all activities relating to the ring-fenced component of System Management accountable for market related activities.

(ii) All non covered businesses and services to be identified separately.

#### 4. Forecast capital expenditure by reason

Expenditure for period beginning

[Period start]

Description	Year 1	Year 2	Year 3	... Year n	Total
<b>Covered transmission services</b>					
Growth					
Asset replacement and renewal					
Improvement in service					
Compliance					
Corporate					
<b>Total</b>					
<b>Excluded transmission services</b>					
Growth					
Asset replacement and renewal					
Improvement in service					
Compliance					
Corporate					
<b>Total</b>					
<b>Covered distribution services</b>					
Growth					
Asset replacement and renewal					
Improvement in service					
Compliance					
Corporate					
<b>Total</b>					
<b>Excluded distribution services</b>					
Growth					
Asset replacement and renewal					
Improvement in service					
Compliance					
Corporate					
<b>Total</b>					
<b>System Management services (i)</b>					
Growth					
Asset replacement and renewal					
Improvement in service					
Compliance					
Corporate					
<b>Total</b>					
<b>Other non covered businesses and services (ii)</b>					
Growth					
Asset replacement and renewal					
Improvement in service					
Compliance					
Corporate					
<b>Total</b>					

**Notes**

- (i) To include all activities relating to the ring-fenced component of System Management accountable for market related activities.
- (ii) All non covered businesses and services to be identified separately.

## 5. Historic non-capital costs by business category and activity

Cost for period

[period] to [period]

Description	Year 1	Year 2	Year 3	...	Year n	Total
-------------	--------	--------	--------	-----	--------	-------

[Note: Subject to use of discretionary activity classifications of the service provider]

### Covered transmission services

*Operations*  
*Maintenance*  
*Customer service and billing*  
*Corporate*  
*Other*

**Total**

---



---

### Excluded transmission services

*Operations*  
*Maintenance*  
*Customer service and billing*  
*Corporate*  
*Other*

**Total**

---



---

### Covered distribution services

*Operations*  
*Maintenance*  
*Customer service and billing*  
*Corporate*  
*Other*

**Total**

---



---

### Excluded distribution services

*Operations*  
*Maintenance*  
*Customer service and billing*  
*Corporate*  
*Other*

**Total**

---



---

### System Management services (i)

*Operations*  
*Maintenance*  
*Customer service and billing*  
*Corporate*  
*Other*

**Total**

---



---

### Other non covered businesses and services (ii)

*Operations*  
*Maintenance*  
*Customer service and billing*  
*Corporate*  
*Other*

**Total**

---



---

### Notes

(i) To include all activities relating to the ring-fenced component of System Management accountable for market related activities.

(ii) All non covered businesses and services to be identified separately.

## 6. Forecast non-capital costs by business category and activity

Cost for period

[period] to [period]

Description	Year 1	Year 2	Year 3	... Year n	Total
-------------	--------	--------	--------	------------	-------

[Note: Subject to use of discretionary activity classifications of the service provider]

### Covered transmission services

*Operations*  
*Maintenance*  
*Customer service and billing*  
*Corporate*  
*Other*

**Total**

---



---

### Excluded transmission services

*Operations*  
*Maintenance*  
*Customer service and billing*  
*Corporate*  
*Other*

**Total**

---



---

### Covered distribution services

*Operations*  
*Maintenance*  
*Customer service and billing*  
*Corporate*  
*Other*

**Total**

---



---

### Excluded distribution services

*Operations*  
*Maintenance*  
*Customer service and billing*  
*Corporate*  
*Other*

**Total**

---



---

### System Management services (i)

*Operations*  
*Maintenance*  
*Customer service and billing*  
*Corporate*  
*Other*

**Total**

---



---

### Other non covered businesses and services (ii)

*Operations*  
*Maintenance*  
*Customer service and billing*  
*Corporate*  
*Other*

**Total**

---



---

### Notes

(i) To include all activities relating to the ring-fenced component of System Management accountable for market related activities.

(ii) All non covered businesses and services to be identified separately.



## Appendix C: Summary of Substantive Changes to Guidelines

Description of Changes	Section
<b>CHANGES FROM VERSION 1</b>	
<b>Document Index</b>	
New requirement for service providers to provide a 'document index' when providing supporting documents (particularly electronic document files).	2.8
<b>Business Segments</b>	
New business segments for system management activities relating to the ring-fenced component of System Management and other non-covered business activities and services (each to be identified separately)	3.8.1; 3.8.2; 3.8.3; 4.4.1; and 4.4.3
Separation of 'gifted assets' from contributions as a reporting category for revenue.	
<b>Comparisons of Actual Expenditure with Forecasts</b>	
Expanded requirements relating to information explaining differences between the actual expenditure incurred during the access arrangement period and the forecasts that were approved for the period.	4.5 and 4.6
<b>Adjustments to Target Revenue</b>	
New information requirements relating to incentive mechanisms.	4.6
<b>New Facilities Investment</b>	
New information requirements to support the assessment of actual and forecast new facilities investment against the test for adding new facilities investment to the capital base.	5
<b>Service Standard Benchmarks and Performance</b>	
New information requirements relating to proposals for service standard benchmarks and actual service standard performance.	6
<b>Gain Sharing Mechanism</b>	
New information requirements relating to gain sharing mechanisms.	7
<b>Pro-forma Statements</b>	
The pro-forma regulatory financial statements and pro-forma cost statements have been updated to reflect changes to the guidelines.	Appendix A Appendix B