Endeavour Energy Cost Allocation Method

Endeavour Energy

February 2025

Endeavour Energy

POWER together

Version Control

Version Number	Date Modified	Nature of Variation
Version 3.1	February 2025	Updated outdated terms used in this document due to company ERP system and structure changes
Version 3.0	March 2018	Updated CAM to increase specificity of allocations
Version 2.1	November 2013	Draft CAM lodged for compliance review with the AER Cost Allocation Guideline
Version 2.0	August 2012	Draft CAM lodged to meet compliance with the National Electricity Rules
Version 1.0	31 January 2008	CAM lodged and approved by the AER under the Transitional Rules for NSW

Contents

1. Introduction

1.1. Background

Endeavour Energy is a 'poles and wires' business, responsible for the safe and reliable supply of electricity to 2.7 million people in households and businesses across Sydney's Greater West, the Blue Mountains, Southern Highlands, the Illawarra and the South Coast.

Endeavour Energy is 50.4 percent owned by an Australian-led consortium of long-term investors in the private sector operating the network under a 99-year lease. The private sector consortium comprises of funds and clients managed by Australia's Macquarie Asset Management, Canada's British Columbia Investment Management Corporation and Qatar Investment Authority.

The remaining 49.6 per cent is held by the State of NSW via a corporation constituted under the Electricity Retained Interest Corporations Act 2015.

Endeavour Energy's Cost Allocation Method (CAM) is consistent with previous CAMs and has been updated with the most relevant terminology.

This document contains detailed principles and policies for attributing costs to, or allocating costs between, the categories of distribution services Endeavour Energy provide.

The intention of Endeavour Energy is for this CAM to apply from its approval by the AER. Endeavour Energy will apply this CAM for the prevailing regulatory control period noting the updates made to the previous CAM (commencing 1 July 2018) do not result in any material change in cost allocation.

1.2. Organisational Structure

Endeavour Energy delivers its business activities through seven divisions, as shown in the organisational structure below.

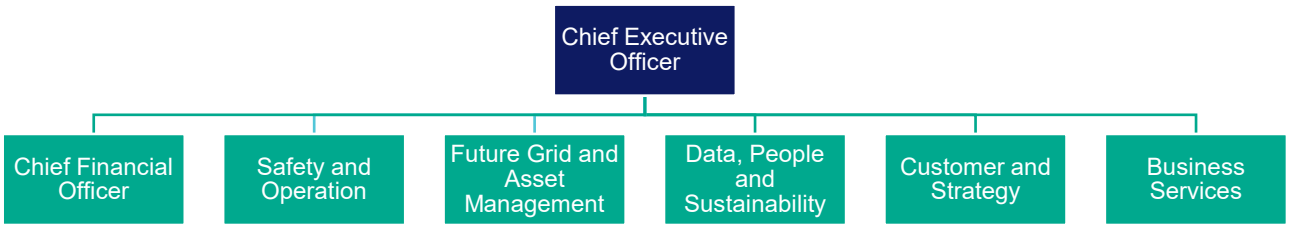

Figure 1: Endeavour Energy's Organisational Structure

1.3. Requirements of the rules and guidelines

Clause 6.15.4 of the National Electricity Rules requires that:

(a) Each DNSP must submit to the AER for its approach a document setting out its proposed CAM; and
(b) The proposed CAM must give effect to, and be consistent with, the AER's Cost Allocation Guidelines (which the AER must publish under clause 6.15.3).

Under clause 2.1 of the AER's Cost Allocation Guidelines (CAG), each DNSP is responsible for developing the detailed principles and policies for attributing costs to, or allocating costs between, the categories of distribution services that it provides. These detailed principles and policies must be included in the proposed CAM that Endeavour Energy submits to the AER for approval.

The purpose of this document is to set out the CAM adopted by Endeavour Energy for the purposes of complying with its regulatory obligations.

Endeavour Energy's CAM has been prepared in accordance with the Cost Allocation Principles contained in section 6.15.2 of the National Electricity Rules (NER). These principles are described below.

Cost Allocation Principles

- The principles and policies used by Endeavour Energy to allocate costs between the different categories of distribution services are contained in this document, and are described in sufficient detail to enable the AER to replicate the reported outcomes through the application of the principles and policies (clause 6.15.2(1) of the NER);
- The allocation of costs has been determined according to the substance of a transaction or event rather than its legal form (clause 6.15.2(2) of the NER);
- Costs allocated to a particular category of distribution services are either:
    - Costs which are directly attributable to the provision of those services (clause 6.15.2(3)(i) of the NER); or
    - Costs which are not directly attributable to the provision of those services but which are incurred in providing those services and which are allocated using an appropriate allocator (clause 6.15.2(3)(ii) of the NER);
- The reasons for using the method of the chosen allocator, and the numeric quantity (if any) of the chosen allocator, is clearly described in this document (clause 6.15.2(4) of the NER);
- The same costs are not allocated more than once (clause 6.15.2(5) of the NER);
- The principles, policies and approach used to allocate costs are consistent with the *Distribution Ring-Fencing Guidelines* (clause 6.15.2(6) of the NER); and
- Costs which have been allocated to a particular service will not be reallocated to another service during the course of a regulatory control period (clause 6.15.2(7) of the NER).

In accordance with clause 6.15.1 of the NER, Endeavour Energy has a duty to comply with the CAM that has been approved by the AER.

Pursuant to clause 5.1(b) of the CAG, Endeavour Energy will apply its CAM in preparing:

- Forecast operating expenditure to be submitted to the AER in accordance with clause 6.5.6 of the NER;
- Forecast capital expenditure to be submitted to the AER in accordance with clause 6.5.7 of the NER;
- Prices for a negotiated distribution services determined in accordance with clause 6.7.1 of the NER;

- Annual statements in accordance with a future regulatory information instrument; and
- Actual or estimated capital expenditure for the purposes of increasing the value of its regulatory asset base under NER schedule 6.2.1(f).

The records associated with Endeavour Energy's attribution or allocation of costs can be audited or verified by a third party as required by clause 3.2(a)(7) of the CAG.

1.4. Compliance with the rules and guidelines

Endeavour Energy's CAM remains consistent with the current NER and the AER's Cost Allocation Guidelines. This update has been provided solely to enhance clarity and specificity as to the detailed allocators and remains essentially unchanged from the approved CAM for the current regulatory control period with the previously adopted underlying cost allocation principles from the prior regulatory control period remaining:

- Costs/assets that are directly attributable to a service should be directly attributed to that service;
- Costs/assets that are shared between services should be allocated to those services on a causal basis; and
- Costs/assets that are shared between services but a causal link cannot be applied should be allocated on a reasonable, defensible and non-distortionary basis.
- Where costs are allocated, the numeric figures, percentages, etc. relating to the drivers used to undertake those allocations are updated annually.

Endeavour Energy confirms that the principles of the CAG are embedded in Endeavour Energy's cost allocation approach.

Endeavour Energy acknowledges the central role that an active CAM plays in supporting its compliance with the AER ring fencing guidelines and reaffirms its commitment to continued compliance with the CAG and the ring fencing guideline.

2. Cost Allocation Methodology

2.1. NER requirements

Under clause 6.2.1(a) of the NER, the AER may classify a distribution service provided by a DNSP as:

- A direct control service; or
- A negotiated distribution service.

Direct control services are further divided into two subclasses (under clause 6.2.2(a)):

- Standard control services; and
- Alternative control services.

The classification of a service determines the nature of economic regulation, if any, applicable to specific distribution services. Figure 2 below applies the AER's current service classification decision and summarises the cost hierarchy and cost disaggregation process for Endeavour Energy, which is reflected in Endeavour Energy's financial accounting and reporting.

Within this process there are several controls applied to ensure compliance with the Cost Allocation Principles, as set out below. However, one control that is required when undertaking disaggregation as set out below is the need to ensure that costs are not allocated more than once, and by implication that all costs are allocated to a service classification.

When the cost disaggregation is completed, mandatory cross checks are applied through the management assurance processes and the independent assurance processes to certify that the value of costs reported at the total expenditure level are equivalent to the sum of costs by service classification.

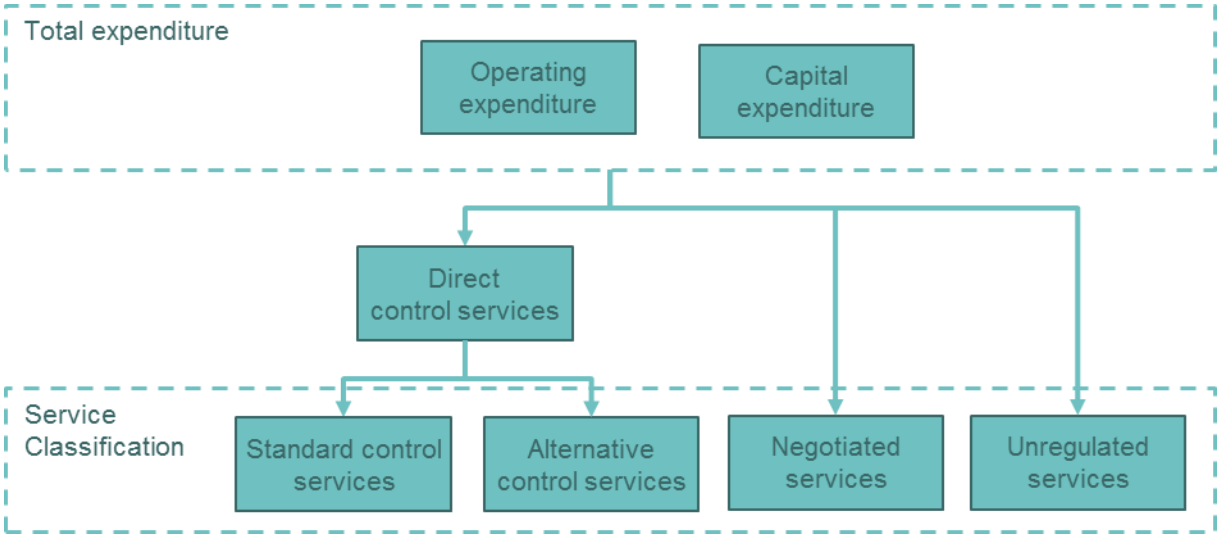

Figure 2: Disaggregation of expenditure

Costs are identified as either operating expenditure or capital expenditure (using the activity discussed in section 3.2) based on Australian Accounting Standards, NSW Treasury policies and good industry practice.

Broadly speaking standard control services are provided or can be provided to all connected network customers; alternative control services are provided either at the request of any network customer or apply to specific classes of network customers, such as public lighting services for councils.

2.2. Overview of costing principles and systems

Endeavour Energy's costs are recorded in the following categories.

- Cost Centre: defined by organisational structure and responsibility centre. For example, the Divisions of Safety & Operations, Business Services and Finance have Division hierarchy allocated to an organisation unit category, and ultimately a cost centre.

Table 1: Organisation unit categories (Effective April 2017)

Organisation unit category	Division units
Network organisation units (examples)	Safety & Operations (Transmission and Distribution) (excluding specific organisation units) Future Grid & Asset Management (excluding specific organisation units)
Specific organisation units (examples)	Metering Service System Control, Apprentice and Technical Training
Corporate organisation units	Customer and Business Services Finance Data, People and Sustainability Strategy Innovation and Transformation

- Projects and Work breakdown structure (WBS) a major grouping of work performed which feeds up to the information requirements of the organisation. For example distribution substation maintenance, street lighting, system capex or non-system capex.
- GL account; categorisation of expenses. For example labour, materials, contracted services consultancy, vehicle expenses, IT expenses, rent, insurance and taxes.

These expenses can fall into both operating and capital expenditure categories. A GL account can incur multiple and different types of transactions that make up the total expenditure for a particular expense element category.

2.2.1. Enterprise Resources Planning System

SAP is Endeavour Energy's Enterprise Resources Planning (ERP) system which also includes the financial management reporting modules. It records information on financial transactions (e.g. account code, work order, project number, cost centre and profit centre) and allows information on costs to be extracted for auditing and analytical purposes.

Transactions are initially grouped by expense element and are then aggregated and categorised for regulatory, financial and summary purposes.

The nature of the specific costs incurred by Endeavour Energy are categorised according to various cost elements such as:

- Labour (normal pay, overtime and labour on-cost such as superannuation, workers compensation, sick leave and annual leave). This element categorisation also includes temporary labour hire costs;
- Materials;
- Contracted services and consultancy; and
- Other (this includes items such as vehicle expenses, IT expenses, rent, insurance and taxes).

Expense elements are common to both operating and capital expenditure. An expense element can incur multiple and different types of transactions that make up the total expenditure for a particular expense element category.

SAP is the application that gives practical effect to the CAM for actuals via use of assessment cycles, which allows the CAM to attribute costs to, and allocate costs between, the relevant services for operating expenditure.

2.2.2. Enterprise Performance Management System

Endeavour Energy currently use an Enterprise Performance Management (EPM) System for reporting which summarises data extracted from SAP for analytical and reporting purposes, as well as all budgeting and forecasting.

The EPM system also gives practical effect to the CAM for annual budget and forecasting, which allows the CAM to attribute costs to, and allocate costs between, the relevant services for operating expenditure.

2.3. Operating expenses

2.3.1. Overview

Operating (non-capital) expenses are incurred to ensure that a fixed asset continues to provide its predetermined service capacity and quality and achieves its useful life; or in the provision of non-distribution services to third parties.

Operating expenses are allocated to a sub-service which are aggregated to provide the total cost by service (refer Figure 2). This is done in the following stages.

Organisation units are allocated to an organisational unit category (refer Table 2).

- For Network organisation units; cost centre / GL account combinations are flagged as either a direct network cost or a network overhead cost;
- All costs in specific organisation units are treated as specific costs; and,
- All costs in corporate organisation units are treated as corporate overheads.
-

	Direct costs	Specific costs	Overhead costs
Network organisation units	Direct network costs	n/a	Network overheads
Specific organisation units	n/a	Specific costs	n/a
Corporate organisation units	n/a	n/a	Corporate overheads

Table 2: Cost groups

- **Direct network costs:** direct network costs (e.g. vegetation management, emergency response etc.) are directly attributed to service categories based on the cost centre / GL account combination.
- **Specific costs:** costs in specific organisation units within functional network areas which are directly attributable to service categories (e.g. vegetation management, emergency response etc.), based on cost centre / GL account combination. These are distinct from network overheads, which cannot be directly attributed, rather they are causally allocated.
- **Network overheads:** costs in network organisation units that cannot be directly attributed are causally allocated to service categories using an overhead driver (described in Table 8).
- **Corporate overheads:** costs in corporate organisation units that cannot be directly attributed are causally allocated to service categories using an overhead driver (described in Table 8).

2.3.2. Depreciation

Depreciation relating to system assets is directly attributed to standard control services and alternative control services based on the asset class to which the depreciation relates. No system assets are attributed to unregulated services.

Depreciation expense relating to non-system assets is causally allocated to each service classification based on usage, consistent with property, plant and equipment allocations as per Table 9.

2.3.3. Borrowing costs

Borrowing costs are directly attributable to standard control services due to its relationship with investments and the underlying network (system) assets that are funded by interest bearing debt facilities. This is because borrowing costs relating to qualifying assets are capitalised as part of the cost of those assets in accordance with Australian Accounting Standards (specifically AASB 123 Borrowing Costs).

Qualifying assets are defined as system assets that take a substantial period of time (12 months or more) to get ready for their intended use and whose expected total project expenditure is circa $10 million or more. Capitalisation of borrowing costs is undertaken where a direct relationship can be established between the borrowings and the relevant projects giving rise to qualifying assets.

2.3.4. Income tax expense (notional allocation)

There are several Statement of Financial Performance and Statement of Financial Position items that are managed at a corporate level and are not attributed to individual services for any commercial needs. These include income tax, dividends, and cash.

Consequently, allocation of these items is undertaken for the purpose of regulatory reporting and is therefore allocated on a notional basis.

Income tax expense is allocated between service categories based on the proportion of operating profit before tax outcomes for each service derived from the attributions and allocations set out above.

2.3.5. Dividends (notional allocation)

Dividends are allocated between service categories based on the proportion of operating profit after tax earned by each service classification based on the attributions and allocations set out above.

2.4. Capital expenditure

2.4.1. Overview

Capital expenditure is incurred to acquire, replace or enhance the economic benefits embodied in a fixed asset. The economic benefits may be enhanced by extending the fixed asset's life or by improving its capacity or quality.

Costs in capital expense-related activities are categorised as either system capex or non-system capex using the following procedures.

2.4.2. System capex

System capex is presented at the project and work breakdown structure (WBS) level and is either assigned as a standard control service or alternative control service.

- System capex is recorded in SAP by transactions and are consolidated at the project level (transactions are linked to a work order, which are linked to a project).
- Capex at the project level is then directly attributed to standard control services or alternative control services based on the AER RIN categories.
- There are pre-determined links between projects and AER categories, with all system capex allocated to standard control services, with the exception of public lighting and Types 5&6 metering, which is classified as an alternative control service.
- All system capex projects are directly attributed except network switching and capitalised overheads which are allocated on a pro rata basis based on the directly attributed value of system capex. Network switching costs are high volume and low cost planned activities carried out to make the network safe. These costs are typically captured in WBS level against a single project per financial year and therefore allocated along with capitalised overheads across the system capex. This allocation method has been adopted as there is a reasonable link between the value of direct costs and the amount of network switching activity or capitalised overheads that the suite of projects would require.

2.4.3. Non-system capex

Non-system capex is presented at Project and WBS level and is either assigned as a standard control service, alternative control service or unregulated service.

- Non-system capex is recorded in SAP by transactions and are consolidated by projects /WBS (transactions are linked to a work order, which are assigned to a nominated project (WBS)). There are no overheads allocated or added to non-system capex (unlike System capex)
- The "unregulated component" of each Project within non-system capex is determined based on non-causally allocated drivers assigned to each project WBS of non-system capex (refer to table 9 for the allocation drivers). The allocation driver will enable the allocation of annual expense in dollar terms between regulated and unregulated services.
- The unregulated component is subtracted from non-system capex to determine regulated non-system capex, which is then further separated between Standard Control Service and Alternative Control Services
- There are some instances where the allocation methodology for some non-system capex categories is one-for-one e.g. Night watch capex is 100% allocated to unregulated services under the current service classification.

This process of allocating capex to the service category level is shown in figure 3 below.

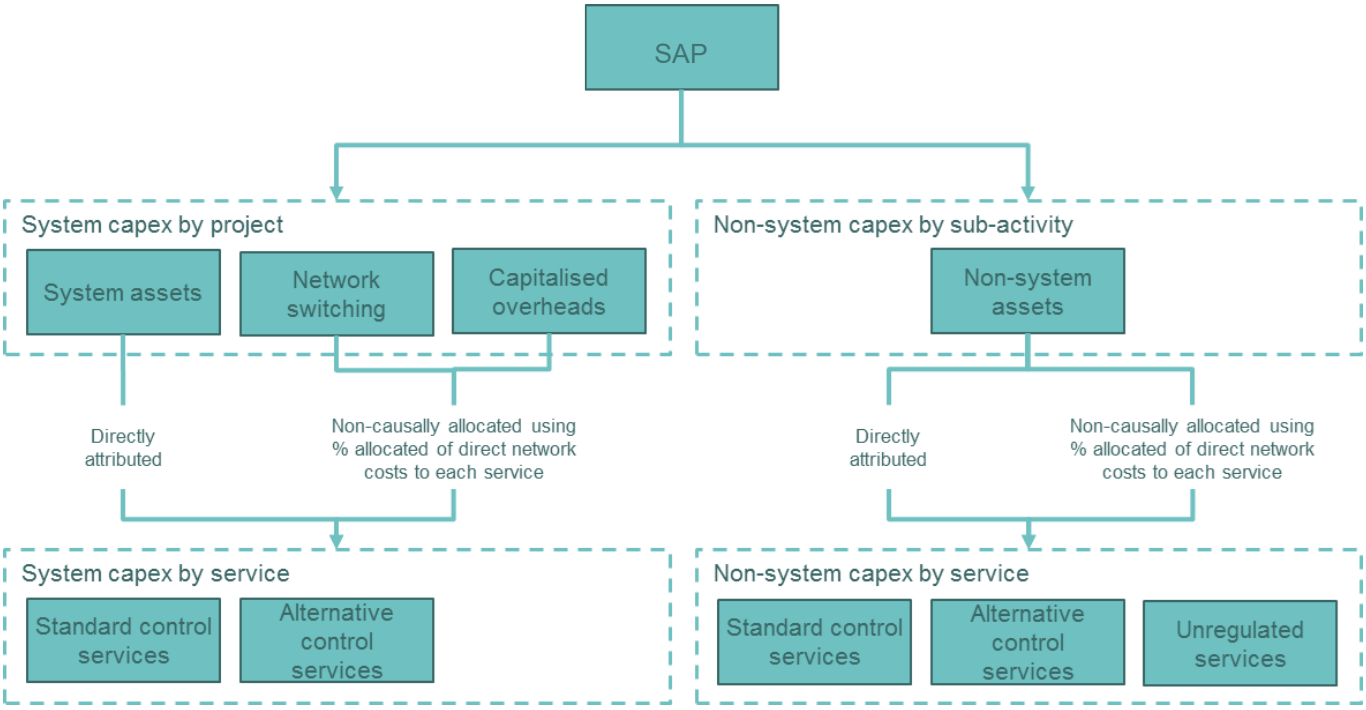

Figure 3: High-level process of capital expenditure allocation

Note, the figure above does not include negotiated services as Endeavour Energy does not currently have any services classified as negotiated services.

3. Implementation and Compliance

3.1. Commitment to compliance with the cost allocation method

Endeavour Energy is committed to ensuring compliance with all its regulatory obligations, including compliance with this CAM.

- Endeavour Energy is committed to ensuring value for money services to its customers. This commitment not only applies to undertaking necessary activities at efficient cost but extends to ensuring that the costs of its activities are appropriately charged to the correct services and customers in accordance with pricing efficiency and cost reflectivity principles.
- Endeavour Energy confirms that the detailed principles, policies and approach of this CAM are consistent with the Ring Fencing Guideline as required by clause 2.2.6 of the CAG and clause 6.17 of the NER.
- All related party transactions undertaken by Endeavour Energy are contained in its audited financial statements and audited Regulatory Accounts. Costs and revenues for related party transactions are directly attributed or allocated consistent with the methodology applied for transactions with external parties relevant to the same organisation unit activity or cost type as set out in the allocators appendix.
- Endeavour Energy monitors compliance with the CAM by requiring that all staff and management involved in the preparation and review of information to be provided to the AER verify that the information and its preparation complies with the AER approved CAM.

Endeavour Energy acknowledges that the CAM, the AER's Cost Allocation Guideline, the AER's Ring Fencing Guideline, the Cost Allocation Principles contained in the National Electricity Rules, and Endeavour Energy's compliance with all of these are critical elements for the realisation of Endeavour Energy's commitment to our customers.

3.2. Organisational responsibilities for compliance

Organisational responsibilities for compliance with the CAM are aligned to the internal responsibilities and authorities governing information development, escalation, review and provision to the AER.

Table 4 below outlines the key areas of reporting and the relevant review and oversight applied to each area of financial information.

Table 3: Key responsibilities within Endeavour Energy

Area of reporting	Information preparation	Management review	Executive endorsement	Executive approval
Depreciation	Financial Accounting Team	Head of Group Financial Control	Executive Leadership Team	Chief Executive Officer
Interest				
Income tax				
Financial statements				
Revenue	Commercial Finance Team	Head of Commercial Finance		
Opex				
Capex				

The Chief Executive Officer has overall responsibility for the governance and sign-off of the CAM. This includes ensuring Endeavour Energy complies with the CAM and the CAG.

Endeavour Energy will monitor compliance with the CAM and the CAG through the following measures:

- The annual financial statements, SAP transaction and record management processes and calculation logic are reviewed by external audit. This audit is overseen by the Chief Financial Officer.
- The financial accounting team and Commercial Finance team are responsible for preparing information in accordance with the approved CAM and the CAG and the reports are reviewed by Head of Financial Control and Head of Commercial Finance. Compliance is endorsed by executive management and reviewed by independent auditors.
- Furthermore, the Chief Executive Officer will sign a statutory declaration attesting that the reported information, to the best of his/her knowledge, is true and accurate in all material respects (where required).

Internal procedures identify key responsibilities for undertaking the analytical work, preparation of work papers and completing the relevant elements of reporting in accordance with the CAM. Further, the procedures identify the relevant manager with the responsibility for reviewing each category of information, associated work papers and ensuring compliance with the CAM. Following these quality assurance reviews, the Chief Financial Officer holds ultimate responsibility for reviewing and testing the operating cost allocations.

3.3. Records management

Endeavour Energy's document and records management processes and procedures have been developed in accordance with its statutory obligations to maintain records that will allow it to produce and/or reproduce documentation and reporting on the same manner as required.

In addition, Endeavour Energy maintains historic data in a protected electronic format in SAP, which allows for the preservation, maintenance and re-calculation of key regulatory reporting data such as the allocation percentages, the application of the direct attribution of costs to the various services based on the links

between the activity and sub-activity to those services etc. This will ensure that Endeavour Energy is able to reproduce the underlying workings and calculations of allocations and attributions made to the various services in accordance with this CAM at any time so requested by the AER.

Endeavour Energy confirms that it maintains financial source documentation and records consistent with the accounting standards and statutory requirements to adequately demonstrate compliance with the CAM and the CAG.

As required under clause 3.2(a)(7) of the CAG, Endeavour Energy will maintain records of cost attribution and allocation as follows:

- As described in section 3, cost collection, attribution, and allocation in accordance with the CAM is undertaken in the ERP.
- The CAM will be applied to Endeavour Energy's audited annual financial statements to prepare the annual Regulatory Information Notices and assign costs to their relevant services. As a result, the audited annual financial statements will form the basis of the annual RINs.
- Endeavour Energy review the allocations each year and obtain sign off (via email confirmation) from the Head of Commercial Finance that the allocations are still valid. This data is all stored in Endeavour Energy's corporate network and the allocations method are also used as an input into TM1
- These systems are all backed up daily as part of Endeavour Energy's records management process.
- Endeavour Energy will prepare and maintain appropriate documentation and information that supports the preparation of the RINs for submission to the AER. These records are provided to external auditors for the purpose of providing an opinion that the Regulatory Accounts are presented fairly in accordance with the approved CAM and the AER's Regulatory Information Notice ('RIN').
- As part of the annual RIN process, managers at various levels within the organisation are required to sign off on a management representation letter stating, among other things, that the allocation of costs between the business segments is reasonable.

APPENDIX: Cost Allocation Examples

The following tables describe the allocators used to allocate network overhead and corporate overhead expenses to each sub-service and to allocate capital to each service.

Table 5: Example of 'Labour' cost allocator calculation (numbers are for illustrative purposes only)

	Standard control services (SCS)	Alternative control services (ACS)	Unregulated Services (Unreg)
Direct labour cost ($m)	$70.7m	$23.0m	$5.6m
'Labour' allocator	71%	23%	6%

Table 6: Example allocation of operating expense (numbers are for illustrative purposes only)

Cost Centre	Project	WBS	Cost ($m)	Cost type	SCS	ACS	Unreg
N8784 - Distribution West	Faults and Emergency Repair	West Overhead Maintenance	$0.5m	Direct attribution	100%	0%	0%
N8782 - Penrith	NRV-65 - Street Lighting	Inspection and Investigation	$0.2m	Direct attribution	0%	100%	0%
N5205 - Health & Wellbeing	No Activity	No Sub Activity	$4.0m	Labour cost allocator	71%	23%	6%
N8970 - Springhill	Infrastructure Capital Contributed	1– Asset Relocation	$0.8m	Direct attribution	0%	0%	100%

Table 7: Example allocation of capital expense

Project	WBS type	Cost ($m)	Cost type	SCS	ACS	Unreg
Distribution Work Program	Construction – Distribution Works	$30.5m	Direct attribution	100%	0%	0%
Street Lighting Capital	Construction – Street Lighting	$7.3m	Direct attribution	0%	100%	0%
Non-System Capex	WE – WIP – IT&T Software	$12.1m	ICT cost allocator	64%	24%	12%
Network Switching	Planned Switching	$3.7m	Network switching cost allocator	94%	6%	0%

APPENDIX: Allocators

The following tables describe the allocators used to allocate network overhead and corporate overhead expenses to each sub-service and to allocate capital to each service. Endeavour Energy has a structured process for regular reviews to ensure cost types and service classifications are calculated in accordance with the criteria outlined in the table below.

Table 8: Operating expenditure allocators

Cost type	Service classification	Allocator/s	Calculation	Reason for the allocator	Causal / Non causal
General management costs that are eligible for capitalisation that are concentrated on supporting employees	Standard Control; Alternative Control; and Unregulated	Labour Staff	Costs in the relevant organisation units multiplied by the proportion of all direct and specific labour costs attributed to each service classification.	General management costs have a causal link to the management and support of staff and across the company.	Causal
General management costs that are eligible for capitalisation that generally service the outputs of the business	Standard Control; Alternative Control; and Unregulated Services	Labour Staff & Contractors	Costs in the relevant organisation units multiplied by the proportion of all direct and specific labour and contractor costs attributed to each service classification.	General management costs have a causal link to labour effort.	Non-causal
General management costs that are not eligible for capitalisation that generally service the outputs of the business	Standard Control, Alternative Control and Unregulated Services	Labour Staff & Contractors Opex Only	Costs in the relevant organisation units multiplied by the proportion of all direct and specific labour and contractor costs attributed to each service classification.	For org units whose costs cannot be capitalised per company policy; costs are apportioned based on the directly costed effort, excluding capital activity, of company employees and contractors as a proxy for the opex effort of the company.	Non causal
General management costs that are not eligible for capitalisation that are concentrated on supporting employees	Standard Control, Alternative Control and Unregulated Services	Labour Staff Opex Only	Costs in the relevant organisation units multiplied by the proportion of all direct and specific labour costs attributed to each service classification.	General management costs have a causal link to the management and support of staff and contracted across the company.	Causal

Cost type	Service classification	Allocator/s	Calculation	Reason for the allocator	Causal / Non causal
Functions which support the services provided by the DNSP (do not support Unregulated services)	Standard Control & Alternative Control	Labour SCS & ACS	Cost of support functions multiplied by the proportion of all direct and specific labour directly attributed to SCS & ACS	Cost in these org units is apportioned based on the direct costs of company employees and contractors as a proxy for the overall effort of those org units which provide no direct or indirect input into the provision of unregulated services.	Non causal
Purchasing	Standard Control, Alternative Control and Unregulated Services	Purchases Contractors & Materials	The cost of procurement and accounts payable staff are attributed based on the proportion all direct and specific contractor and materials costs attributed to each service classification.	The cost of procurement has a direct correlation to the value of activity that is supported in each service classification.	Causal
Logistics	Standard Control, Alternative Control and Unregulated Services	Purchases Materials	Logistics costs multiplied by the proportion of direct and specific materials cost for all business units (excluding Transformer Workshop) attributed to each service classification.	The costs of stores staff are apportioned based on the value of materials directly costed by service classification. This excludes Transformer Workshop which receives and handles its own materials.	Causal
Customer contact	Standard Control, Alternative Control and Unregulated Services	Queue Call Presented	Customer contact costs multiplied the proportion of total call volumes related to each service classification.	The costs of call centre staff are strongly correlated to the service classification of the volume of calls taken related to each service classification.	Causal
Fleet administration	Standard Control, Alternative Control and Unregulated Services	Vehicle usage	The residual costs (after intercompany charges) of managing and maintaining fleet are multiplied by the proportion of direct fleet usage to each service classification.	The cost of managing and maintaining fleet has a strong correlation to the direct use of vehicles.	Causal
Management of the Northern Region of Network Services	Standard Control, Alternative Control and Unregulated Services	Activities managed by Regional Field Op Team	The manager organisation unit costs multiplied by the proportion of direct and specific labour and contractor cost for org units managed that has been attributed to each service classification.	The effort and costs of the manager organisation unit is directly related to the effort and costs of those activities undertaken in the organisation units that are supervised.	Causal

Cost type	Service classification	Allocator/s	Calculation	Reason for the allocator	Causal / Non causal
Management of the Central Region of Network Services	Standard Control, Alternative Control and Unregulated Services	Activities managed by Regional Field Op Team	The manager organisation unit costs multiplied by the proportion of direct and specific labour and contractor cost for org units managed that has been attributed to each service classification.	The effort and costs of the manager organisation unit is directly related to the effort and costs of those activities undertaken in the organisation units that are supervised.	Causal
Management of the Southern Region of Network Services	Standard Control, Alternative Control and Unregulated Services	Activities managed by Regional Field Op Team	The manager organisation unit costs multiplied by the proportion of direct and specific labour and contractor cost for org units managed that has been attributed to each service classification.	The effort and costs of the manager organisation unit is directly related to the effort and costs of those activities undertaken in the organisation units that are supervised.	Causal
General management of Network Services	Standard Control, Alternative Control and Unregulated Services	Activities managed by Head of Field Ops	The manager organisation unit costs multiplied by the proportion of direct and specific labour and contractor cost for org units managed that has been attributed to each service classification.	The effort and costs of the manager organisation unit is directly related to the effort and costs of those activities undertaken in the organisation units that are supervised.	Causal

Table 9: Capital expenditure allocators

Cost category	Service classification	Reason for the allocator	Allocators	Causal / Non Causal
Network switching costs and capitalised overheads.	Standard Control; and Alternative Control	Reflects the strong relationship between network switching costs and overheads and overall business activity and performance.	Costs are allocated across system (network) capex based on the proportion of direct system (network) capex by service classification.	Causal allocator
Non-system land and building costs	Standard Control; Alternative Control; and Unregulated	Reflects the strong relationship between the size and value of the properties in the property portfolio and capital expenditure on non-system land and buildings.	Costs associated with head office are causally allocated on the basis of floor space used by activities directly engaged in Standard Control, Alternative Control and Unregulated services. Costs associated with depots are causally allocated on the basis of floor space requirements for investment in new depots to support activities directly engaged in Standard Control, Alternative Control and Unregulated services. If depots existing prior to 1 January 2018 are subsequently used for unregulated activities the market rental and site costs are charged to the unregulated business. The rental costs are recognised as shared assets revenues and reported accordingly.[1]	Causal allocator
ICT software and hardware costs	Standard Control; Alternative Control; and Unregulated	Reflects the strong relationship between the use of IT software and the needs and use of IT infrastructure by Endeavour Energy personnel.	Costs are split into software applications and is then multiplied by the opex service classification split to derive the IT baseline driver; and Costs are split into PCs and laptops by division and then multiplied by the opex service classification split to derive the IT PC profile driver.	Causal allocator

[1] Market rental is determined by conducting an assessment of comparable properties of a similar size and usage within the local area that are available for rent. This is assessment has been reviewed and cross checked by Endeavour Energy's in-house Property Valuer. The market rental is set to be increased annually by 4%. In addition, the site costs such as power, water, cleaning and rates are separately invoiced and reimbursed to Endeavour Energy. The reimbursed costs are deducted from the opex reported by Endeavour Energy for standard control services.

Cost category	Service classification	Reason for the allocator	Allocators	Causal / Non Causal
Purchase and fit-out costs of fleet	Standard Control; Alternative Control; and Unregulated	Reflects the strong relationship between fleet costs which have been directly attributed to a service and the needs and use of vehicles.	Costs are split into vehicle classifications of light commercial, trucks and plant using vehicle registrations. The allocation to alternative control and unregulated services is determined by the expected proportion of service hours for each service classification relative to total service hours.	Causal allocator
Other non-system capex costs	Standard Control; Alternative Control; and Unregulated	Reflects furniture and fittings capex for the properties in the property portfolio and allocated on a consistent basis with land and building portfolio. Tools and equipment used by frontline FTEs. Therefore, a strong relationship exists between network opex and the use of tools and equipment.	Costs associated with tools and equipment are allocated on the basis of the opex service classification split within the Network division. Costs associated with furniture and fittings are allocated on the basis of floor space for head office used by activities directly engaged in Standard Control, Alternative Control and Unregulated services. Costs associated with Nightwatch are directly attributed to the service classification.	Causal allocator

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