



Cost allocation method

July 2025

Version 6

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Document Control

Version	Date	Notes
1	18 September 2008	Initial publication
2	18 November 2011	Reclassification of metering and minor corporate structure updates
3	3 September 2012	
4	20 December 2017	
5	1 July 2020	
6	1 July 2025	Reclassification of legacy metering and minor updates to align with new organisation structure

1. Introduction

SA Power Networks operates and maintains the only significant electricity distribution network in South Australia, supplying all of the major population centres, and serves around 950,000 residential, commercial and industrial customers. It constructs, operates and maintains the distribution network from the point of connection with the transmission network (operated by ElectraNet) up to the customer’s meter.

SA Power Networks employs around 2,000 people, supporting a network comprising over 400 zone substations and 90,000 kilometres of powerlines.

SA Power Networks’ key regulated distribution roles include:

- maintaining the safety and reliability of the network;
- meeting the network capacity needs of our customers;
- extending and upgrading the network;
- connecting customers to the network;
- maintaining the public lighting system; and
- acting as the meter data collector (meter reader) and data provider to retailers for regulated legacy meters.

SA Power Networks also has an affiliate, Enerven Energy Infrastructure Pty Ltd and Enerven Energy Solutions Pty Ltd (collectively referred to as Enerven) who provide non-distribution construction, maintenance and asset management services in the competitive market.

2. Nature, Scope and Purpose

The purpose of this document is to set out the proposed Cost Allocation Method adopted in SA Power Networks’ regulatory accounting and reporting. This is pursuant to clause 6.15.4 of the National Electricity Rules (**NER**), which requires that¹:

- 1) Each *Distribution Network Service Provider (DNSP)* must submit to the Australian Energy Regulator (**AER**) for its approval, a document setting out its proposed *Cost Allocation Method*.
- 2) The *Cost Allocation Method* proposed by a *DNSP* must give effect to and be consistent with *the Cost Allocation Guidelines (CAG)*.

SA Power Networks has a duty to comply with the approved *Cost Allocation Method* under clause 6.15 of the NER. Clause 6.15.1 of the NER states:

“A *DNSP* must comply with the *Cost Allocation Method* that has been approved in respect of that provider from time to time by the *AER* under this rule 6.15.”

SA Power Networks will apply its *Cost Allocation Method* in preparing:

¹ Note: terms in italics are separately defined in the NER.

- 1) A shared asset cost reduction in accordance with clause 6.4.4(c)(5) of the NER;
- 2) Forecast operating expenditure to be submitted to the *AER* in accordance with clause 6.5.6(b)(2) of the NER;
- 3) Forecast capital expenditure to be submitted to the *AER* in accordance with clause 6.5.7(b)(2) of the NER;
- 4) Prices for a *negotiated distributed service* determined in accordance with clause 6.7.1(1) of the NER;
- 5) Actual or estimated capital expenditure for the purposes of increasing the value of its regulatory asset base under NER schedule S6.2.1(f); and
- 6) information required under any relevant *regulatory information instrument*.

As required by clause 2.1 of the *AER's CAG*, each *DNSP* is responsible for developing the detailed principles and policies for attributing costs to, or allocating costs within, the categories of *distribution services* that it provides. These detailed principles and policies must be included in the proposed *Cost Allocation Method* that SA Power Networks submits to the *AER* for approval.

The approved *Cost Allocation Method* is to be posted on the SA Power Networks' website as required by clause 6.15.4(h) of the NER.

SA Power Networks' *Cost Allocation Method* has been prepared in accordance with the *Cost Allocation Principles* contained in section 6.15.2 of the NER. Specifically:

- the principles and policies used by SA Power Networks to allocate costs between the different categories of *distribution services* are contained in this document (NER – 6.15.2(a));
- allocation of costs has been determined according to the substance of a transaction or event rather than its legal form (NER – 6.15.2(b));
- costs allocated to a particular category of *distribution services* are either:
 - costs which are directly attributable to the provision of those services (NER – 6.15.2(c)(1)); or
 - costs not directly attributable are allocated using an appropriate allocator (NER – 6.15.2(c)(2));
- the reasons for using the method of the chosen allocator is clearly described in this document (NER – 6.15.2(d));
- the same costs are not allocated more than once (NER – 6.15.2(e));
- the principles, policies and approach used to allocate costs are consistent with the *Distribution Ring-Fencing Guidelines* (NER – 6.15.2(f)); 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* (NER – 6.15.2(g)).

The records associated with SA Power Networks' attribution or allocation of costs can be audited or verified by a third party (CAG – 3.2(a)(7)).

3. Responsibility for the Cost Allocation Method

SA Power Networks' Cost Allocation Method is described in this document. We consider that it complies with the requirements of the NER and the Cost Allocation Guidelines, and all regulatory financial information is prepared in a manner that is consistent with it.

Overall responsibility for the Cost Allocation Method is with the Chief Financial Officer for SA Power Networks. Responsibility for updating, maintaining and applying the Cost Allocation Method will be undertaken by the Regulatory Accountant. The Regulatory Accountant prepares the annual Regulatory financial accounts and associated financial inputs for the Regulatory Information Orders (**RIO**), together with periodic internal reporting on regulatory performance. The Regulatory Accountant therefore is best placed to ensure compliance with and report on the *Cost Allocation Method* throughout the organisation. The Regulatory Accountant will work in close collaboration with other groups in SA Power Networks to achieve this.

4. Organisational Structure

SA Power Networks' business is structured to align with our key business strategies. These strategies aim to meet the requirements of our customers and stakeholders and to position us to take advantage of new opportunities.

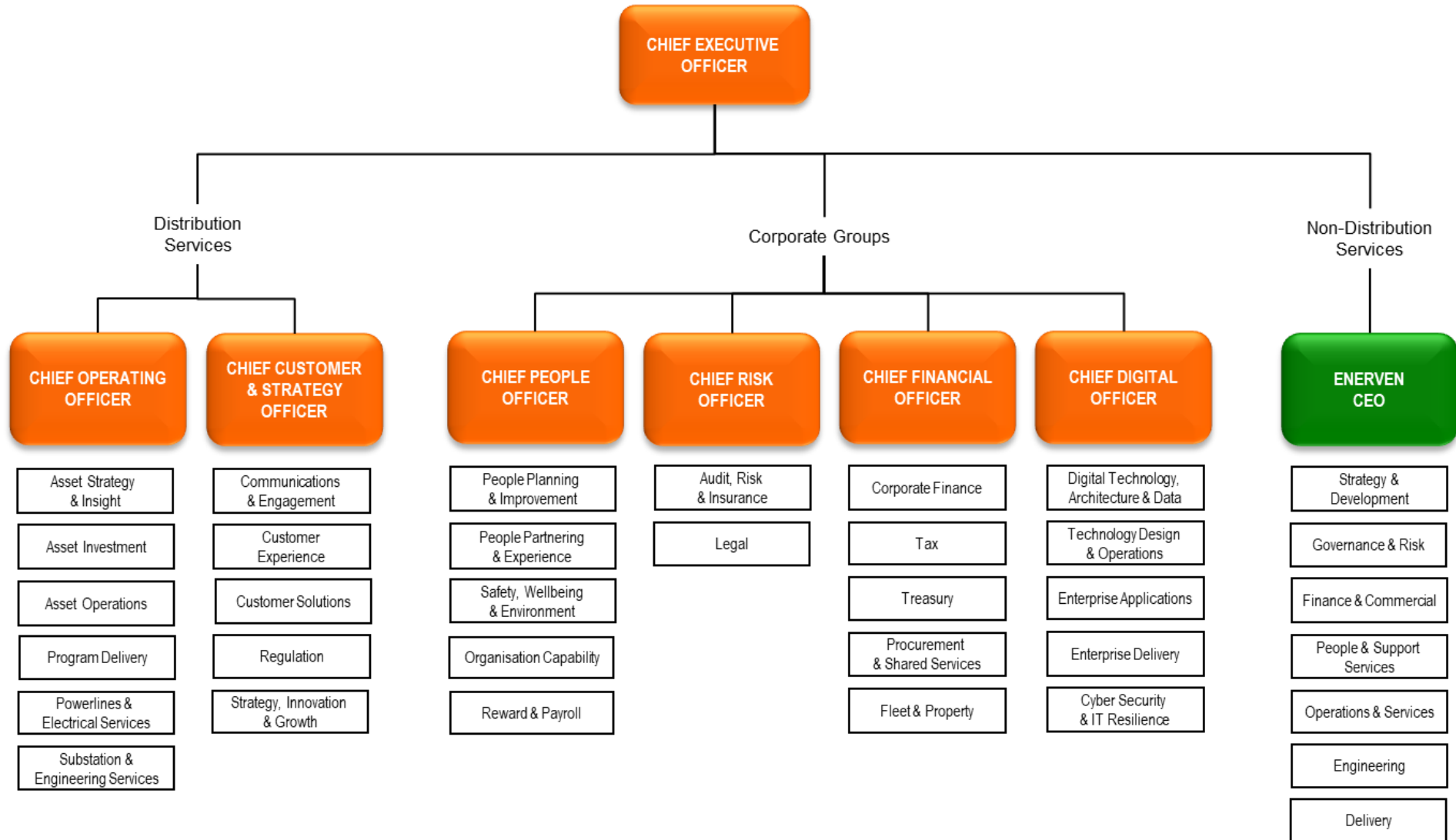
Operational groups are split along the lines of those providing distribution (regulated) services and those providing non-distribution (unregulated) services. With the introduction of the Ring-fencing Guideline, non-distribution services will be delivered by SA Power Networks' legally separated affiliate, Enerven.

Corporate groups provide services to support the operational groups for both SA Power Networks and Enerven, and to meet the needs of key stakeholders.

These operations are further overseen by the Chairman and Board of Directors. A diagrammatic representation of the SA Power Networks organisational structure, with functional responsibility is contained in Figure 1.

SA Power Networks' ownership structure is further discussed in section 6.5 below.

Figure 1. SA Power Networks Organisation Structure at 1 May 2025



5. Distribution Services

Clause 6.2.1 (a) of the NER stipulates:

The AER may classify a *distribution service* to be provided by a *Distribution Network Service Provider* as:

- 1) *a direct control service; or*
- 2) *a negotiated distribution service.*

Note

If the AER decides against classifying a *distribution service*, the service is, subject to Chapter 5A, not regulated under the *Rules*.

Further, clause 6.2.2 (a) of the NER states:

Direct control services are to be further divided into 2 subclasses:

- 1) *standard control services; and*
- 2) *alternative control services.*

The costing principles and policies for SA Power Networks (refer section 6) consider the direct attribution of costs to standard control services, alternative control services, negotiated and unregulated distribution services, and to non-distribution services. Costs which are not directly attributable to one particular service type (e.g. most corporate overheads) are subject to a shared allocation of costs between standard control services, alternative control services, negotiated distribution services, unregulated distribution services and non-distribution services.

Standard Control Services include the provision of network capability, maintenance and operation of the distribution system. These services are provided to all customers (residential and business) connected to the electricity network, for which electricity tariffs apply under an AER regulated control mechanism.

Alternative Control Services are monopoly services requested by customers and for which service specific and regulated charges apply. They may be fee based or quoted services.

Negotiated Distribution Services are services for which charges are not regulated and are instead subject to a negotiate / arbitrate framework, in which customers negotiate with SA Power Networks as to the scope of service desired and the charges that should apply. These negotiations are subject to the principles (Negotiated Distribution Service Criteria) and the negotiating framework approved by the AER. Functional separation requirements apply to the delivery of negotiated distribution services under the Ring-fencing Guideline. From 1 July 2020, SA Power Networks will no longer provide any negotiated distribution services. All previous Negotiated Distribution Services have been classified by the AER as Alternative Control Services or Standard Control Services from 1 July 2020.

Unregulated Distribution Services relate to services that have not been classified by the AER, and are not regulated. Functional separation requirements apply to the delivery of unregulated distribution services under the Ring-fencing Guideline.

Non-Distribution (Unregulated) Services are services that are not directly related to SA Power Networks' distribution network, and include new energy solutions (e.g. PV solar, batteries etc). These services are delivered by the Enerven entities, are supplied in an effective competitive environment and are market regulated. Non-distribution services are provided to any agency, business or individual requesting services in a competitive market.

6. Costing Principles and Policies

The principles and policies described below apply to the SA Power Networks Partnership, for the delivery of both distribution services by SA Power Networks' regulated business (as the DNSP) and non-distribution services by its affiliated entity, Enerven.

6.1. SA Power Networks' Costing Overview

SA Power Networks employs a full absorption methodology for assigning costs. This entails assigning all direct and indirect costs to identify the total cost to the organisation of undertaking its work. SA Power Networks' cost collection and reporting is undertaken in SAP, its integrated business management system.

General ledger accounts are used to collect cost inputs, e.g. labour, materials, services, operational vehicles. They are assigned to each cost allocator and provide an input view of costs. General ledger accounts are also used to provide the Statutory and Board reporting for SA Power Networks (and Enerven)².

SA Power Networks also assigns costs to capital and operating job/work orders in SAP. These capture costs for distinct items of work which, for example, may be job specific or program specific. For major jobs or work programs, projects may be established in SAP as the reporting unit. This may be a collection of job/work orders summarising at a project level, or it may be a distinct unit for reporting. This therefore represents an output view of costs.

Job/work orders are assigned an SA Power Networks' functional area when created in SAP. They are assigned to one functional area only. Functional areas also identify work outputs, but at a higher (summed) level than job/work orders. Functional areas are the link to identifying regulatory costs as they measure the costs of different lines of business for each of SA Power Networks' distribution service types.

In the case of operating expenses, costs consolidate to a profit centre which includes a functional area view. A profit centre measures both cost inputs, e.g. labour and materials, and cost outputs, e.g. substation maintenance. In the case of capital expenditure, costs ultimately settle to an asset in the balance sheet.

6.2. Directly Attributed Costs

As discussed in section 6.1, SA Power Networks has in place a comprehensive functional area structure that defines the lines of work to which each transaction relates. The functional area clearly identifies revenue and cost as relating to standard control services (operating or capital), alternative control services (operating or capital), negotiated and unregulated distribution services (operating or capital) or non-distribution services (operating or capital). Directly attributed costs are discussed in more detail below by category of expenditure, with a summary contained in table 1.

Labour and Related Expenditure

Labour and related expenditure includes costs associated with SA Power Networks' internal resources, labour contractors and their associated costs. Costs are assigned to job/work orders by way of standard labour rates. These labour rates are calculated across SA Power Networks based on specific bands that align with particular job types, e.g. line workers, electrical mechanics, asset inspectors.

Total labour costs for internal employees are calculated to include normal and overtime salaries and wages, associated payroll on-costs and employee/industry allowances. Payroll on-costs include public holidays, leave, superannuation, and payroll tax. Labour rates for billable (i.e. non-support) work also recover the non-

² Statutory and Board reporting is required for both the SA Power Networks Partnership and Enerven

billable time of employees (by way of a labour on-cost) including attendance at general and safety meetings and down-time to perform administrative duties. They may also include allowance for miscellaneous costs, such as mobile phone charges, clothing, safety equipment, direct supervision and support costs (e.g. administrative officers). Alternatively, these costs may be apportioned across all directly attributed costs as a general business cost (refer below).

An availability charge is also applied to job/work orders relating to emergency supply restoration for allowances paid to workers rostered outside of normal working hours for the purpose of responding to faults, extreme weather events and other network emergencies. Total labour costs are divided by total available hours to arrive at an average labour rate.

External labour contractors may be sourced to supplement the existing workforce for specific projects, additional workloads or to cover employee absences. Such supplementary labour costs are incorporated into labour rates for assigning to job/work orders.

Labour and related costs are charged at standard rates directly to job/work orders by way of employee (including supplementary labour contractor) timesheets being entered into SAP. They are calculated for the following year as part of the annual budget cycle.

Materials

Materials are directly assigned to job/work orders at cost. They include stock items distributed through SA Power Networks' centralised warehouse and specific purchases of irregular or low turnover items such as specialised transformers, plant and equipment, and computer hardware. An on-cost is added to stock materials to cover the cost of warehousing and delivery of materials held in the central store. This is in the form of a percentage applied to the direct cost of material (calculated as the budgeted cost of material on-costs over the value of materials distributed). Different rates may apply for different material types depending upon value and turnover; rates for the following year are calculated as part of the annual budget cycle.

Services

Services costs, relating to services provided by external parties (excluding supplementary labour contractors described above), are treated similarly to materials in that they are directly assigned to job/work orders at cost. They include the provision of civil works, earthmoving and tree cutting services, externally provided asset construction and maintenance services, travel and accommodation and training services. Consultancies for agreed deliverables are similarly categorised as services.

Operational Vehicles

Operational vehicles, i.e. heavy fleet, are centrally managed by the Fleet group and assigned to work groups. An average hourly rate per vehicle class is calculated to incorporate the total operating cost of vehicles including fuel, registration, maintenance and repairs, and fleet management, and divided by the expected productive hours of utilisation. Note that operating costs associated with light fleet (i.e. passenger vehicles) are incorporated in general business costs.

Operational vehicle costs are charged at standard rates directly to job/work orders by way of employee timesheets, that include vehicle utilisation. Vehicle rates are calculated for the following year as part of the annual budget cycle.

Costs associated with the management and support of projects and operational business units, as well as the operating costs of light fleet, are distributed evenly across all directly attributed costs.

Miscellaneous costs such as mobile phones and clothing costs may also be distributed. This is in the form of a percentage applied to the direct costs, which comprise labour and related expenditure, materials, services

and operational vehicles of a job/work order (calculated as budgeted total management and support costs over total direct costs). Different rates are applied for each operational business unit; rates for the following year are calculated as part of the annual budget cycle.

A summary of directly attributable costs is contained in table 1 below. A list of regulated services that SA Power Networks reports against, for which costs are directly attributed, is contained in table 2.

Table 1: Directly Attributed Costs

Costs are directly attributed to standard control services, alternative control services, negotiated distribution services, unregulated distribution services or non-distribution services on the basis shown below:

Cost	Description	Basis of attribution (driver)
Labour and related costs	Includes the following: <ul style="list-style-type: none"> ▪ Normal and overtime salaries and wages, associated payroll on-costs and employee/industry allowances ▪ Supplementary labour support from external providers 	Standard rates specific to location and job type, directly attributed by employee timesheet to job/work order
Materials	Stock items or purchases of irregular or low turnover items (e.g. specialised transformers)	Directly attributed to job/work order. Stock materials incur a percentage on-cost for warehousing and delivery costs
Services	Provision of services by external parties (e.g. distribution licence fee, civil works, consultancies, travel and accommodation, training services, insurance, rates and taxes etc)	Directly attributed to job/work order
Operational vehicles	Heavy fleet operating costs including fuel, registration, maintenance and repairs, and fleet management	Standard rates specific to vehicle type, directly attributed by employee timesheet to job/work order

Costs associated with the management and support of operational business units are distributed across all directly attributed costs.

Table 2: Directly Attributed Distribution Services

Listed below are SA Power Networks’ standard control, alternative control and unregulated distribution services for which costs are directly attributed:

Standard Control Opex

- Network Operating Costs
 - Distribution Licence Fee
 - Network Access, Monitoring and Control
 - Network Access Management
 - Network Asset Systems and Information
 - Network Telephony

- Regulatory Compliance
- Network Maintenance Costs
 - Asset Assessment (Inspections)
 - Asset Maintenance
 - Substation Property Maintenance
 - Vegetation Management
 - Emergency Response
 - Demand Management
 - Guaranteed Service Level Payments
 - Network Insurance
 - Emergency Recoverable Works
- Customer Service Costs
 - Call Centre
 - Customer Billing
- Other Directly Attributed Costs
 - Property – DLC Land Tax
 - Accounts Receivable Asset Damage
 - Taxation Consultants
 - Apprentice Training
 - Debt Raising Costs
- Legacy Metering Services
 - Meter Reading
 - Meter Data Services
 - Meter maintenance

Standard Control Capex

- Network – Augex
 - Capacity – Reinforcements and Upgrades
 - Reliability

- Environmental
- Safety
- PLEC (Undergrounding)
- Strategic
- Network – Repex
 - Asset Replacement and Refurbishment
- Network – Connection
 - Customer Connections (Basic Connections, Extensions & Augmentations) (less) Customer Contributions (net of Rebates)
- Non-Network Expenditure
 - Information Technology
 - Property (including Easements)
 - Heavy Vehicle Fleet
 - Light Vehicle Fleet
 - Plant and Tools
 - Strategic
 - Telecommunications
 - Other

Alternative Control Opex

- Public Lighting
 - Inspections and maintenance
- Ancillary Network Services
 - Enhanced connection services
 - Connection application and management services
 - Auxiliary metering services
 - Access permits, oversight and facilitation services
 - Network safety services
 - Sale of approved materials or equipment

- Notices of arrangement
- Rectification works to maintain network safety
- Planned interruption (customer requested)
- Inspection and auditing services
- Provision of third-party training (related to Network Access)
- Third party authorisations and approvals
- Security lighting
- Network asset relocations
- Third party funded network alterations

Alternative Control Capex

- Public Lighting
 - Asset replacement – columns, cable

Unregulated Distribution Services (non-exhaustive list)

- Distribution asset rental
- Provision of training to third parties (not associated with network services)
- Sale of scrap

6.3. Allocated Costs

Corporate costs relate to the organisational groups supporting the operational functions of SA Power Networks. SA Power Networks' corporate support groups include Governance and Risk, Finance and Corporate Services, Digital and Technology, and People and Culture.

The Customer and Strategy group includes customer experience, communications and stakeholder engagement, strategy innovation and growth and regulation functions. Costs (excluding call centre costs which are directly attributed) are allocated as for corporate costs.

SA Power Networks does not charge corporate costs directly to job/work orders for regulatory purposes. Rather, the operating costs incurred by each group are allocated between standard control services, alternative control services, negotiated and unregulated distribution services, and non-distribution services based on the type of service provided.

SA Power Networks has not provided any Negotiated Distribution Services from 1 July 2020.

For many corporate allocations, there is a clear causal basis for allocation. For example, reward and payroll costs are allocated on the basis of the number of employees. For some services however, there is no clear causal allocator and costs are allocated on the basis of total revenue for each service classification or a weighted average of causal allocators. The method for allocation of each corporate cost is described in table 3. An example of the weighted average of causal factors is shown in table 4.

It should be noted that for regulatory accounting, SA Power Networks allocates superannuation and self-insurance costs on a cash, rather than accrual, accounting basis to ensure consistency with how regulatory allowances are determined. An adjustment is made for the difference between actual cash paid and the amount expensed in the regulated accounts, which is then allocated between distribution and non-distribution services on a basis consistent with the expensed costs.

From a regulatory accounting perspective, all corporate costs are treated as an operating expense.

Table 3: Allocated Costs

Corporate costs are allocated to standard control services, alternative control services, negotiated distribution services, unregulated distribution services or non-distribution services on the bases shown below. In circumstances where a causal allocation basis can be established, costs are allocated on a causation basis. Where this is not the case, costs are allocated on a non-causal basis, with care and consideration given to ensure that the allocation method chosen best reflects the use of the relevant services:

Cost	C/NC	Description	Service(s) allocated to	Basis of attribution (driver)
Office of CEO				
CEO	NC	The office of the Chief Executive Officer	<ul style="list-style-type: none"> • Standard control • Alternative control • Negotiated distribution • Unregulated distribution • Non-distribution 	No ideal causal allocator: costs allocated on the basis of the weighted average of all allocators.
Governance and Risk				
Chief Risk Officer	NC	Management of the Governance and Risk group (excluding the licence fee, which is directly attributed to standard control services)	<ul style="list-style-type: none"> • Standard control • Alternative control • Negotiated distribution • Unregulated distribution • Non-distribution 	No ideal causal allocator: costs allocated on the basis of the weighted average of all allocators for the Governance and Risk group.
Legal Services	C	Legal counsel, legal compliance	<ul style="list-style-type: none"> • Standard control • Alternative control • Negotiated distribution • Unregulated distribution • Non-distribution 	<p>Labour costs associated with legal officer(s) dedicated to the Enerven business are allocated to non-distribution services on the basis of FTE splits.</p> <p>Remainder of costs are allocated to standard control, alternative control, negotiated and unregulated distribution services based on total distribution services costs.</p>
Real Estate & Easements	C	Real estate management services, including rates and taxes, property acquisition and disposal, property lease and easement management.	<ul style="list-style-type: none"> • Standard control • Alternative control • Negotiated distribution • Unregulated distribution • Non-distribution 	Distribution Lessor Corporation (DLC) land tax relates to distribution assets acquired (by lease) on privatisation. These costs are directly attributed to standard control services as a cost of operating the electricity distribution network.

Cost	C/NC	Description	Service(s) allocated to	Basis of attribution (driver)
				<p>Everen directly incur costs of offices or depots leased specifically to deliver non-distribution services.</p> <p>The remainder of Real Estate costs are allocated between substations and depots based on property rates.</p> <p>Substation costs are directly attributed to standard control services as a cost of operating the electricity distribution network. Office and depot costs are allocated between distribution and non-distribution services on basis of FTE splits (excluding FTE's working from Enerven leased offices or depots).</p> <p>Distribution services costs are further allocated between standard control, alternative control, negotiated and unregulated distribution services on basis of labour hours.</p>
Audit Services	C	Independent review of business strategies, systems and processes	<ul style="list-style-type: none"> Standard control Alternative control Negotiated distribution Unregulated distribution Non-distribution 	<p>Allocated between distribution and non-distribution services based on audit days proposed in the annual Internal Audit Plan.</p> <p>Distribution services costs are further allocated between standard control, alternative control, negotiated and unregulated distribution costs based on total distribution services costs.</p>
Risk & Insurance – Shared Insurance Premiums	C	<p>Insurance premiums to cover general risks including:</p> <ul style="list-style-type: none"> Combined Liability (e.g. products, professional indemnity) Fidelity guarantee Contract works Depots/Offices Personal Accident Transit 	<ul style="list-style-type: none"> Standard control Alternative control Negotiated distribution Unregulated distribution Non-distribution 	<p>Total risk and insurance costs (excluding support costs) are allocated between network insurance and shared insurance premiums based on the type of insurance.</p> <p>Network insurance costs (e.g. bushfire risk liability) are directly attributed to standard control services as a cost of operating the electricity distribution network. Shared insurance premiums are allocated dependent on type of insurance e.g. fidelity guarantee, depots/offices, combined liability, personal accident allocated on basis of FTEs; contract works allocated on basis of revenue for each service classification; transit based on stock materials.</p>
Risk & Insurance – Support Costs	NC	Risk and Insurance support costs including:	<ul style="list-style-type: none"> Standard control Alternative control 	No ideal causal allocator: costs allocated on the basis of the

Cost	C/NC	Description	Service(s) allocated to	Basis of attribution (driver)
		<ul style="list-style-type: none"> Brokers fees Management and administration costs 	<ul style="list-style-type: none"> Negotiated distribution Unregulated distribution Non-distribution 	weighted average of total insurance policy allocations.
Finance and Corporate Services				
CFO	NC	Office of the Chief Financial Officer	<ul style="list-style-type: none"> Standard control Alternative control Negotiated distribution Unregulated distribution Non-distribution 	No ideal causal allocator: costs allocated on the basis of the weighted average of all allocators for the Finance group.
Corporate Finance	NC	Financial accounting, establishing and monitoring strategic financial plans and providing financial services, excluding that associated with the identification, invoicing and collection of third party damage to SA Power Networks' assets (which is directly attributed to standard control services as a cost of operating the electricity distribution network).	<ul style="list-style-type: none"> Standard control Alternative control Negotiated distribution Unregulated distribution Non-distribution 	No ideal causal allocator: costs are allocated on the basis of total revenue for each service class.
Tax & Treasury	NC	Taxation (excluding consulting costs directly attributable to standard control services) and treasury services	<ul style="list-style-type: none"> Standard control Alternative control Negotiated distribution Unregulated distribution Non-distribution 	No ideal causal allocator: costs are allocated based on total revenue for each service class.
Regulated Commercial Finance	C	Management accounting, financial control of operational groups	<ul style="list-style-type: none"> Standard control Alternative control Negotiated distribution Unregulated distribution 	<p>Services provided support distribution services only.</p> <p>Costs are allocated between standard control, alternative control, negotiated and unregulated distribution services based on total distribution services revenue splits.</p>
Financial, Planning & Analysis	C	Financial regulatory matters, budgeting and preparation of the Regulatory Accounts	<ul style="list-style-type: none"> Standard control Alternative control Negotiated distribution Unregulated distribution 	<p>Services provided support distribution services only.</p> <p>Costs are allocated between standard control, alternative control, negotiated and unregulated distribution services based on total distribution services revenue splits.</p>
External Audit	C	Independent external audit of systems, processes and financial and regulatory accounts	<ul style="list-style-type: none"> Standard control Alternative control Negotiated distribution Unregulated distribution Non-distribution 	<p>Even external audit fees are attributed to non-distribution services.</p> <p>Distribution service external audit fees are allocated to standard control, alternative control, negotiated and unregulated distribution services based on</p>

Cost	C/NC	Description	Service(s) allocated to	Basis of attribution (driver)
				distribution service revenue splits.
Finance Adjustments	C	Financial adjustments, principally employee related labour adjustments	<ul style="list-style-type: none"> • Standard control • Alternative control • Negotiated distribution • Unregulated distribution • Non-distribution 	<p>Employee -related labour adjustments are allocated between distribution and non-distribution services on basis of FTE splits.</p> <p>Movements in distribution service employee provisions are further allocated between standard control, alternative control, negotiated and unregulated distribution services on basis of labour hours. Remaining costs are allocated on basis of total revenue for each service class. No ideal causal allocator: costs allocated on basis of total revenue for each service class.</p>
Procurement & Shared Services	C	Procurement contract establishment and contract management, payment of vendor invoices	<ul style="list-style-type: none"> • Standard control • Alternative control • Negotiated distribution • Unregulated distribution • Non-distribution 	Allocated on the basis of stock material and service contract costs (excluding interstate service contracts as allocated directly to non-distribution services).
Finance Shared Services	C	Shared services functions to support the regulated business	<ul style="list-style-type: none"> • Standard control • Alternative control • Negotiated distribution • Unregulated distribution 	<p>Services provided support distribution services only.</p> <p>Costs are allocated between standard control, alternative control, negotiated and unregulated distribution services based on total distribution services revenue splits.</p>
Property Services	C	Property management, including maintenance and alterations and additions associated with offices and depots	<ul style="list-style-type: none"> • Standard control • Alternative control • Negotiated distribution • Unregulated distribution • Non-distribution 	<p>Enerven directly incur costs of offices or depots leased specifically to deliver non-distribution services.</p> <p>Total property costs are allocated between substations and depots based on property rates. Substation property costs are directly attributed to standard control services as a cost of operating the electricity distribution network.</p> <p>Other office and depot costs are allocated between distribution and non-distribution services on basis of FTE splits (excluding FTE's working from Enerven leased offices or depots).</p> <p>Distribution services costs are further allocated between standard control, alternative control, negotiated and unregulated distribution services on basis of labour hours.</p>

Cost	C/NC	Description	Service(s) allocated to	Basis of attribution (driver)
Digital and Technology				
Digital and Technology	C	Provision, maintenance and support of IT systems and services, and development of new IT systems and services	<ul style="list-style-type: none"> • Standard control • Alternative control • Negotiated distribution • Unregulated distribution • Non-distribution 	<p>Allocated between distribution and non-distribution services on basis of IT systems and FTE usage data.</p> <p>Distribution services costs are further allocated between standard control, alternative control, negotiated and unregulated distribution services on basis of labour hours.</p>
People and Culture				
Chief People and Culture	NC	Management of the People and Culture group	<ul style="list-style-type: none"> • Standard control • Alternative control • Negotiated distribution • Unregulated distribution • Non-distribution 	No ideal causal allocator: costs allocated on the basis of the weighted average of all allocators for the People and Culture group.
Organisational Capability	C	Management of organisational capability	<ul style="list-style-type: none"> • Standard control • Alternative control • Negotiated distribution • Unregulated distribution • Non-distribution 	<p>Costs allocated between distribution and non-distribution services on based of FTE splits.</p> <p>Distribution services costs are further allocated between standard control, alternative control, negotiated and unregulated distribution services on basis of labour hours.</p>
People, Partnering & Experience	C	Employee relations, talent acquisition and people partner advisory functions	<ul style="list-style-type: none"> • Standard control • Alternative control • Negotiated distribution • Unregulated distribution • Non-distribution 	<p>Talent partnering supports distribution services only.</p> <p>Other costs are allocated between distribution and non-distribution services on basis of FTE splits.</p> <p>Distribution services costs are further allocated between standard control, alternative control, negotiated and unregulated distribution services on basis of labour hours.</p>
People, Planning & Improvement	C	People and workforce planning, systems improvement and insights	<ul style="list-style-type: none"> • Standard control • Alternative control • Negotiated distribution • Unregulated distribution • Non-distribution 	<p>Costs allocated between distribution and non-distribution services on basis of FTE splits.</p> <p>Distribution services costs are further allocated between standard control, alternative control, negotiated and unregulated distribution services on basis of labour hours.</p>
Reward & Payroll	C	Management of reward and payroll functions	<ul style="list-style-type: none"> • Standard control • Alternative control • Negotiated distribution • Unregulated distribution • Non-distribution 	Costs allocated between distribution and non-distribution services on basis of FTE splits.

Cost	C/NC	Description	Service(s) allocated to	Basis of attribution (driver)
				Distribution services costs are further allocated between standard control, alternative control, negotiated and unregulated distribution services on basis of labour hours.
Learning, Design & Delivery	C	Costs associated with the operation of the in-house centre for distribution network training, including curriculum, training materials etc (excluding apprentice training costs)	<ul style="list-style-type: none"> • Standard control • Alternative control • Negotiated distribution • Unregulated distribution 	<p>Distribution services costs , excluding apprenticeship costs, are allocated between standard control, alternative control, negotiated and unregulated distribution services on basis of labour hours.</p> <p>Apprentice training costs are directly attributed to standard control services as a cost of operating the electricity distribution network.</p> <p>Any specific training for the Enerven group is charged direct to the group.</p>
Safety, Wellbeing & Environment	C	Safety, wellbeing and environmental management	<ul style="list-style-type: none"> • Standard control • Alternative control • Negotiated distribution • Unregulated distribution • Non-distribution 	<p>Safety partnering supports distribution services only.</p> <p>Other costs are allocated between distribution and non-distribution services on basis of FTE splits.</p> <p>Distribution services costs are further allocated between standard control, alternative control, negotiated and unregulated distribution services on basis of labour hours.</p>
Customer & Strategy				
Chief Customer & Strategy	NC	Management of the Customer & Strategy group	<ul style="list-style-type: none"> • Standard control • Alternative control • Negotiated distribution • Unregulated distribution • Non-distribution 	No ideal causal allocator: costs allocated on the basis of the weighted average of all allocators for the Customer and Strategy group.
Customer Experience	C	Customer experience activities, including: <ul style="list-style-type: none"> • Customer enquiries • Customer billing and data management • Customer service training • Retailer relations • Customer and market programs 	<ul style="list-style-type: none"> • Standard control • Alternative control • Negotiated distribution • Unregulated distribution 	<p>Services provided support distribution services only.</p> <p>Call centre costs are directly attributed to standard control services as a cost of operating the electricity distribution network.</p> <p>Other costs are allocated between standard control, alternative control, negotiated and unregulated distribution services on the basis of distribution services revenue splits.</p>

Cost	C/NC	Description	Service(s) allocated to	Basis of attribution (driver)
Regulation	C	Management of regulatory compliance and revenue and pricing outcomes	<ul style="list-style-type: none"> Standard control Alternative control Negotiated distribution Unregulated distribution 	<p>Services provided support distribution services only.</p> <p>Costs are allocated between standard control, alternative control, negotiated and unregulated distribution services based on total distribution services costs.</p>
Strategy, Innovation & Growth	NC	Management of strategic and business planning process, portfolio planning, and enterprise innovation.	<ul style="list-style-type: none"> Standard control Alternative control Negotiated distribution Unregulated distribution 	<p>Services provided support distribution services only.</p> <p>No ideal causal allocator: costs allocated based on total revenue for each service class.</p>
Sustainability	C	Management of sustainability function and associated reporting	<ul style="list-style-type: none"> Standard control Alternative control Negotiated distribution Unregulated distribution Non-distribution 	Costs are allocated based on total revenue for each service class.
Communications and Engagement	C	Corporate communications (including advertising and marketing) and stakeholder management	<ul style="list-style-type: none"> Standard control Alternative control Negotiated distribution Unregulated distribution 	<p>Services provided support distribution services only.</p> <p>Any advertising or marketing for the non-distribution business is borne directly by the Enerven group.</p> <p>Other costs are allocated between standard control, alternative control, negotiated and unregulated distribution services based on distribution services revenue splits.</p>
Employee Foundation	C	Management of the Employee Foundation	<ul style="list-style-type: none"> Standard control Alternative control Negotiated distribution Unregulated distribution Non-distribution 	<p>Costs allocated between distribution and non-distribution services on basis of FTE splits.</p> <p>Distribution services costs are further allocated between standard control, alternative control, negotiated and unregulated distribution services based on labour hours.</p>
Other				
Employee Bonuses	C	Bonus payments made to employees for surpassing specified targets, including financial, safety and customer service	<ul style="list-style-type: none"> Standard control Alternative control Negotiated distribution Unregulated distribution Non-distribution 	<p>Allocated between distribution and non-distribution services on basis of FTE splits.</p> <p>Distribution services costs are further allocated between standard control, alternative control, negotiated and unregulated distribution services on basis of labour hours.</p>
Voluntary Separation Packages (VSP's)	C	Incentive payments to employees to leave the organisation	<ul style="list-style-type: none"> Standard control Alternative control Negotiated distribution Unregulated distribution 	Actual costs will be assigned to group that the separating employee is based.

Cost	C/NC	Description	Service(s) allocated to	Basis of attribution (driver)
			<ul style="list-style-type: none"> Non-distribution 	Costs will be further allocated based on the relevant services or allocator for that group.
Self Insurance Adjustment	C	Represents public liability events with an incurred cost in excess of \$100k per annum plus all workers compensation costs. Self-insurance costs are allocated on a cash, rather than accrual, accounting basis, consistent with the manner in which submissions are made and allowances are determined in the price determination process. This adjustment reflects the difference between the cash paid and the amount expensed in the Financial Accounts.	<ul style="list-style-type: none"> Standard control Alternative control Negotiated distribution Unregulated distribution Non-distribution 	Public liability costs will be allocated based on the relevant services and allocators that apply to each individual event. Workers compensation costs are allocated between distribution and non-distribution services on basis of FTE splits. Distribution services costs are further allocated between standard control, alternative control, negotiated and unregulated distribution services on basis of labour hours.
Superannuation Adjustment	C	Superannuation costs are allocated on a cash, rather than accrual, accounting basis, consistent with the manner in which submissions were made and allowances were determined in the price determination. This adjustment reflects the difference between the cash paid and the amount expensed in the Financial Accounts.	<ul style="list-style-type: none"> Standard control Alternative control Negotiated distribution Unregulated distribution Non-distribution 	Costs allocated across each capital and operating business segment on the basis of labour hours for each division of employee entitlements.

C = Causal, NC = Non-Causal

An example of a weighted average of causal factors is contained below for the Chief Financial Officer as part of the Finance and Corporate Services group. Costs and allocation percentages shown are illustrative only.

Allocations for CEO, Chief Governance and Risk, Chief People and Culture, Chief Customer & Strategy, and Risk and Insurance Support Costs will be calculated on a similar weighted average basis.

Table 4: Example of a Weighted Average of Causal Factors – CFO

Finance Department (excluding CFO)	Causal Allocator	Standard Control		Alternative Control		Negotiated Distribution		Unregulated Distribution		Non-Distribution		Total	
		\$'000	%	\$'000	%	\$'000	%	\$'000	%	\$'000	%	\$'000	%
Directly Attributed*	Standard Control only	1,400	100	0	0	0	0	0	0	0	0	1,400	100
External Audit Fees (Enerven)	Non-Distribution only	0	0	0	0	0	0	0	0	75	100	75	100
External Audit Fees (Distribution Services)	Distribution Service Revenue	495	90	11	2	33	6	11	2	0	0	550	100
Finance Adjustments (Enerven)	Non-Distribution only	0	0	0	0	0	0	0	0	250	100	250	100
Finance Adjustments (Distribution Services)	Distribution Service Labour Hours	660	88	23	3	53	7	15	2	0	0	750	100
Corporate Finance	Total Revenue	1,794	78	46	2	115	5	23	1	322	14	2,300	100
Operational Finance (Network Management & Field Services Finance)	Distribution Service Revenue	1,800	90	40	2	120	6	40	2	0	0	2,000	100
Operational Finance (Enerven Finance)	Non-Distribution only	0	0	0	0	0	0	0	0	1,500	100	1,500	100
Regulatory Finance	Distribution Service Revenue	180	90	4	2	12	6	4	2	0	0	200	100
Shared Services	Stock Materials and Service Contracts	3,185	65	147	3	931	19	49	1	588	12	4,900	100
Total Finance (excl CFO)		9,514	68	271	2	1,264	9	142	1	2,735	20	13,925	100
CFO Allocation	Weighted Ave of Finance Allocations	1,025	68	29	2	136	9	15	1	295	20	1,500	100
Total Finance (incl CFO)		10,539	68	300	2	1,400	9	157	1	3,030	20	15,425	100

* includes accounts receivable for asset damage and taxation consulting costs that are directly attributed to standard control services as a cost of operating the electricity distribution network.

6.4. Balance Sheet Disaggregation

Revenues and expenses are allocated between standard control, alternative control, negotiated distribution, unregulated distribution services and non-distribution services by functional area as outlined above. Capital (asset) and operation and maintenance services are directly attributed in this manner. Financing costs and taxation expenses are not allocated.

From a balance sheet perspective, with the exception of property, plant and equipment, SA Power Networks allocates working capital items only as these can be related to the type of service provided. This includes receivables, inventory, trade payables and provisions.

As stated in section 6.2, capital expenditure is directly attributed and does not include corporate costs. A separate asset register is maintained of property, plant and equipment for regulatory account purposes, which is reconciled to SA Power Networks' financial accounts.

A summary of allocators applied to working capital items is contained in table 5 below.

Table 5: Working Capital Allocations

Working capital items in the Balance Sheet are allocated to standard control services, alternative control, negotiated and unregulated distribution services or non-distribution services as shown below:

Cost	Causal/ Non-Causal	Service(s) allocated to	Basis of allocation (driver)
Electricity (Retailer) Receivables	Causal	<ul style="list-style-type: none"> Standard control Alternative control 	Relate to standard control and alternative control services only. Separate general ledger accounts are established for electricity receivables, but are allocated between standard control and alternative control services on the basis of distribution revenue.
Non-Electricity Receivables	Causal	<ul style="list-style-type: none"> Alternative control Negotiated distribution Unregulated distribution Non-distribution 	Enerven (non-distribution) receivables are derived from dedicated profit centres in SAP. Distribution service receivables are allocated between alternative control, negotiated and unregulated distribution services on basis of non-electricity revenue.
Inventory	Causal	<ul style="list-style-type: none"> Standard control Alternative control Negotiated distribution Non-distribution 	Stock materials are held principally to meet the requirements of the regulated business. Enerven (non-distribution) specific inventory is derived from dedicated profit centres in SAP. Public lighting specific inventory is allocated to alternative control services.
Prepayments	Causal	<ul style="list-style-type: none"> Standard control Alternative control Negotiated distribution Non-distribution 	Prepayments are allocated based on the nature of the prepaid expense. For example, prepaid insurance premiums are allocated on the basis of insurance premiums, regulatory licence fees are directly attributed to standard control services. Enerven (non-distribution) prepayments are derived from dedicated profit centres in SAP.
Creditors	Causal	<ul style="list-style-type: none"> Standard control Alternative control Negotiated distribution Unregulated distribution Non-distribution 	Enerven (non-distribution) creditors and accruals receivables are derived from dedicated profit centres in SAP. Distribution service creditors and accruals are allocated between standard control, alternative control, negotiated and unregulated distribution services on the basis of total operating and capital expenditure.
Unearned Income	Causal	<ul style="list-style-type: none"> Alternative control Negotiated distribution Unregulated distribution Non-distribution 	Unearned income relates to prepaid non-electricity invoices only. Enerven (non-distribution) unearned income is derived from dedicated profit centres in SAP. Distribution service unearned income is allocated between alternative control, negotiated and unregulated distribution services on basis of total non-electricity revenue.
Leave Provisions	Causal	<ul style="list-style-type: none"> Standard control Alternative control Negotiated distribution Unregulated distribution Non-Distribution 	Annual and long service leave provisions are allocated between distribution and non-distribution services on basis of FTE splits. Distribution services costs are further allocated between standard control, alternative control, negotiated and unregulated distribution services on basis of labour hours.
Employee Bonus Provision	Causal	<ul style="list-style-type: none"> Standard control Alternative control Negotiated distribution 	Allocated between distribution and non-distribution services on basis of FTE splits.

Cost	Causal/ Non-Causal	Service(s) allocated to	Basis of allocation (driver)
		<ul style="list-style-type: none"> Unregulated distribution Non-distribution 	Distribution services costs are further allocated between standard control, alternative control, negotiated and unregulated distribution services on basis of labour hours.
Provision for Site Restoration	Causal	<ul style="list-style-type: none"> Standard control 	Directly allocated to standard control services as site restoration relates to distribution network sites (e.g. substations).
Provision for Workers Compensation	Causal	<ul style="list-style-type: none"> Standard control Alternative control Negotiated distribution Unregulated distribution Non-distribution 	Allocated between distribution and non-distribution services on basis of FTE splits. Distribution services costs are further allocated between standard control, alternative control, negotiated and unregulated distribution services on basis of labour hours.
Provision for Self Insurance and Minor Claims	Causal	<ul style="list-style-type: none"> Standard control 	Directly allocated to standard control services as relates predominately to claims for non-supply, power surges etc.
Provision for Income Protection	Causal	<ul style="list-style-type: none"> Standard control Alternative control Negotiated distribution Unregulated distribution 	Allocated between distribution and non-distribution services on basis of FTE splits. Distribution services costs are further allocated between standard control, alternative control, negotiated and unregulated distribution services on basis of labour hours
Payroll and Payroll Tax Control	Causal	<ul style="list-style-type: none"> Standard control Alternative control Negotiated distribution Unregulated distribution Non-distribution 	Allocated between distribution and non-distribution services on basis of FTE splits. Distribution services costs are further allocated between standard control, alternative control, negotiated and unregulated distribution services on basis of labour hours.
Transmission Rebates	Causal	<ul style="list-style-type: none"> Standard control Alternative control 	Split on the basis of electricity revenue.
Provision for Warranty	Causal	<ul style="list-style-type: none"> Non-distribution 	Provisions for warranty relate to the non-distribution (Enerven) business only. The value is derived from dedicated profit centres in SAP.

6.5. Related Party Costs

SA Power Networks has established two entities to deliver non-distribution services, in accordance with the AER's Ring-fencing Guideline. These entities are Enerven Energy Infrastructure Pty Ltd which will provide infrastructure services, and Enerven Energy Solutions Pty Ltd which will provide 'other electricity services' to customers. These entities are collectively referred to as Enerven.

The Enerven entities are wholly-owned subsidiaries of the SA Power Networks Partnership (i.e. affiliated entities) and commence trading from 1 January 2018. Whilst Enerven will provide non-distribution services to customers, it may also be contracted to provide direct control or negotiated distribution services on behalf of the SA Power Networks' DNSP.

Service agreements will be established between the *DNISP* and Enerven for services provided, and transactions between the entities will be reported as related party in Statutory and Regulatory Accounts, and in the RIO.

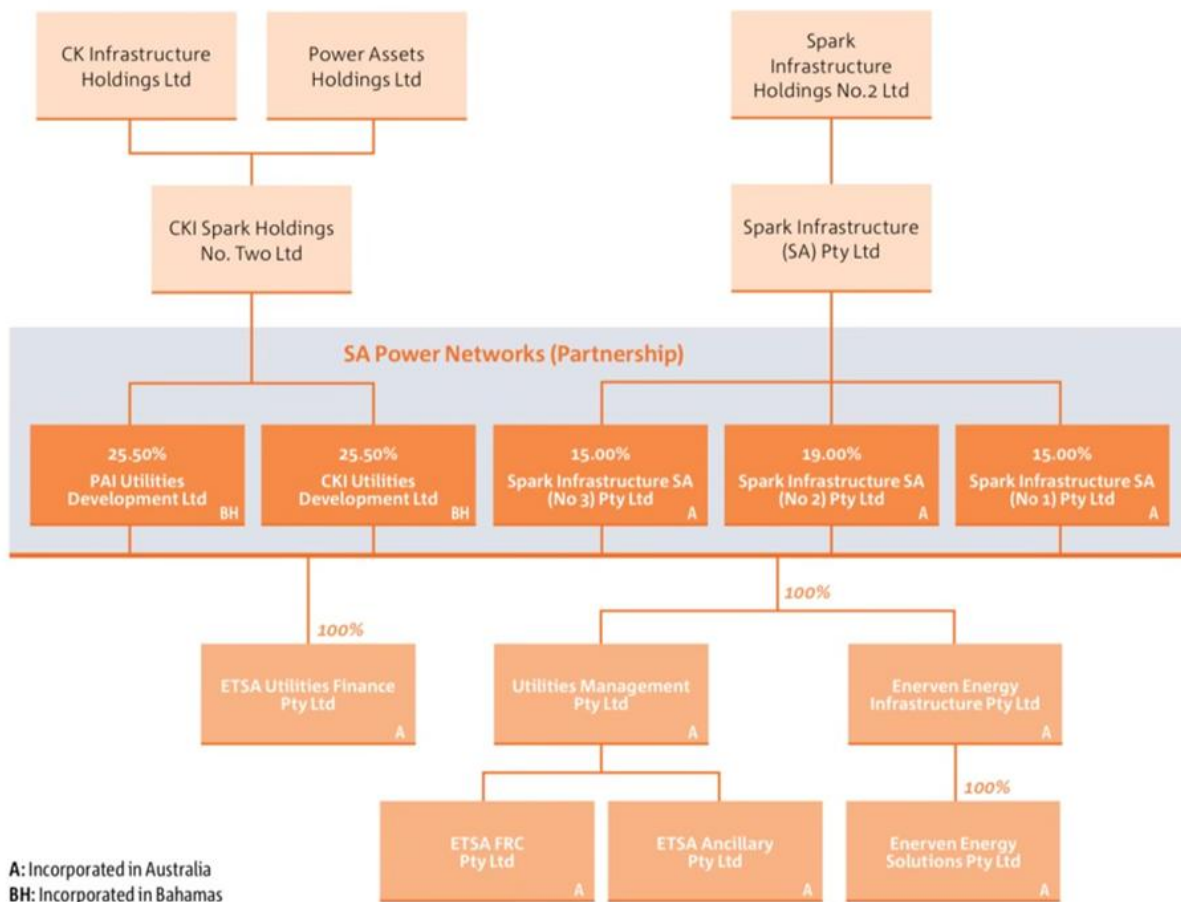
SA Power Networks also shares common ownership with Victorian *DNISPs*, Powercor, CitiPower and United Energy. SA Power Networks has a separate Board and is operated as a totally separate entity to the Victorian *DNISPs*. Any services provided between the groups are at arms-length and service level agreements are established between the entities.

Additionally, SA Power Networks has a relationship with Hutchison International and Vodafone Hutchison through its ownership structure. Again, all transactions with Hutchison are at arm’s length.

All related party transactions undertaken by SA Power Networks are contained in its audited Statutory and Regulatory Accounts. Costs and revenues are directly attributed as for other transactions provided by external parties.

A diagrammatic representation of SA Power Networks’ ownership structure, showing related parties, can be found in Figure 2.

Figure 2. SA Power Networks’ Partnership Structure



7. Record Maintenance

As described in section 6, SA Power Networks collect and record costs through its mainframe integrated business information system.

SA Power Networks' audited Statutory financial accounts (annual and half-year) form the foundation for overall costs from which its Regulatory Accounts are assigned to the relevant services.

Full documentation is maintained in preparation of the Regulatory Accounts. Supporting cost reports are generated and working files prepared, including cost allocations containing bases as well as numeric and percentage values consistent with the approved Cost Allocation Method.

Financial data reported in the RIO is in accordance with, and reconciled to, the Regulatory Accounts.

All reports and files are made available to the external auditors for the purpose of expressing an opinion that the financial information contained in the RIO is presented fairly in accordance with this *Cost Allocation Method*. As part of this process, SA Power Networks' Chief Financial Officer and Chief Risk Officer sign a Management Representation Letter, attesting to the auditors that the RIO has been prepared in accordance with these documents.

Upon finalisation of the audit process, relevant Chiefs sign a memo confirming the accuracy of the data contained in the RIO and endorse the Chief Executive Officer to sign a Statutory Declaration attesting that the information contained in the RIO, to the best of his/her knowledge, is true and accurate in all material respects.

8. Compliance with Cost Allocation Method and Guidelines

The Regulatory Accountant in SA Power Networks is responsible for preparing annual Regulatory Accounts for submission of the RIO in accordance with the approved *Cost Allocation Method* and the *AER Cost Allocation Guidelines*. Compliance is endorsed by management and reviewed by independent auditors.

9. Effective Date

SA Power Networks will report in accordance with this Cost Allocation Method with respect to all regulatory reporting from 1 July 2025.