

# ActewAGL electricity network cost allocation method

ActewAGL submission to the Australian Energy  
Regulator

February 2008

## 1. Introduction

The purpose of this submission is to set out ActewAGL Distribution's proposed electricity network cost allocation method for 2009-14, as required by the transitional provisions in the *National Electricity Amendment Rules* (the transitional Rules). Clause 6.15.8 of the transitional Rules requires the ACT Distribution Network Service Provider (ActewAGL Distribution) to submit to the Australian Energy Regulator (AER) for its approval a document setting out its proposed cost allocation method for the regulatory control period 2009-14. ActewAGL Distribution's proposed cost allocation method must:

1. Be prepared using, as far as practicable, the same cost allocation method as it last used when preparing its regulatory accounts for submission to the Independent Competition and Regulatory Commission (ICRC); and
2. Subject to paragraph 1, be consistent with the cost allocation principles.

The cost allocation principles for the ACT are set out in clause 6.15.7 of the transitional Rules.

The transitional Rules require ActewAGL Distribution to comply with the method approved by the AER and to maintain a current copy of the approved method on its website.

### 1.1 Scope of the cost allocation method

ActewAGL's proposed cost allocation method covers the allocation of costs *between* different categories of electricity distribution services, as required by clause 6.15.7(1) of the transitional Rules. The electricity distribution services provided by ActewAGL Distribution, the costs associated with those services and the method for allocating the costs is set out in sections 2 and 3 below.

The proposed cost allocation method also covers the allocation of costs *to* the electricity network business from other parts of ActewAGL. ActewAGL comprises two partnerships – ActewAGL Distribution and ActewAGL Retail. ActewAGL's electricity distribution services are provided by ActewAGL Networks, one of the business units of ActewAGL Distribution. The costs of providing the electricity distribution services include some costs for corporate services which are provided by other business units within ActewAGL Distribution, as well as some costs for services provided ActewAGL Retail.

Section 4 below explains the structure of ActewAGL, the nature of the services provided to ActewAGL Networks by other parts of ActewAGL and the basis for allocating the costs associated with those services.

## 1.2 Overview of ActewAGL's approach

As required by clause 6.15.8 (1) of the transitional Rules, ActewAGL Distribution has adopted the same cost allocation method as used for the 2004-09 regulatory period. This method essentially involves allocating costs directly to projects wherever possible. Project costs are then aggregated into regulated and unregulated activities and services. Where costs are shared between services, appropriate allocators are used. The approach is therefore consistent with the cost allocation principles set out in the transitional Rules.

ActewAGL's cost allocation method has been subject to detailed review in past price reviews, not only as part of the electricity network reviews but also in the context of the ICRC's reviews of ActewAGL's gas networks and water and wastewater prices. As noted above, the cost allocation methodology encompasses the allocation of shared costs to electricity networks. This allocation of shared costs between the different business parts of ActewAGL has been examined closely in each of the ICRC's reviews, including detailed review by ICRC appointed consultants. For example, in the current review of water and wastewater services for the five years to 2013, the ICRC has accepted that the method of allocating shared costs is reasonable.<sup>1</sup>

The transitional Rules require ActewAGL Distribution to document and publish its cost allocation method. The cost allocation principles require a 'detailed description of policies and procedures'. Given that the AER's guidelines for distribution cost allocation have not yet been finalised, ActewAGL has taken the requirements in the transmission cost allocation guidelines<sup>2</sup> (clause 2.2.1) as the guide to what is the appropriate level of detail. Tables 1 to 3 provide information on the nature of each cost item and where and how it is allocated, in sufficient detail to enable the cost allocation to be replicated by the AER.

As background to the detailed description of cost allocation in sections 3 and 4, section 2 provides an overview of the electricity distribution services provided by ActewAGL Distribution and the types of costs incurred in delivering electricity distribution network services.

## 2. ActewAGL's electricity network services and costs

### 2.1 ActewAGL's electricity distribution services

The cost allocation principles (ACT) in the transitional Rules relate to the allocation of costs 'between different categories of distribution services' (clause 6.15.7(1)).

ActewAGL's distribution services (as defined in the National Electricity Rules) comprise:

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<sup>1</sup> ICRC 2007, *Draft Report and Price Determination: Water and Wastewater Price Review*, December, p. 43

<sup>2</sup> AER 2007, *Electricity transmission network service providers – cost allocation guidelines*, September.

- Standard control services (previously known as prescribed services, covering all network use and connection services except the alternative control services);
- Alternative control services (previously known as excluded services, comprising metering services<sup>3</sup>); and,
- unregulated services (these include streetlighting, training and contestable metering services).

ActewAGL does not provide any services that are classified as negotiated services.

The cost allocation principles therefore require an explanation of how costs are allocated between standard control, alternative control and unregulated services.

## 2.2 Electricity distribution network costs

ActewAGL's electricity network costs comprise the following components:

- Direct project costs, including the costs of materials, contract services and other expenses that can be directly allocated to particular projects and services;
- Payroll and payroll-related costs;
- Leasing costs for plant;
- Electricity networks overhead costs;
- Corporate overhead costs, for services provided by ActewAGL Distribution Corporate;
- Charges for services provided by ActewAGL Retail.

The cost allocation principles in the transitional Rules relate to the allocation of (i) directly attributable costs and (ii) those that cannot be directly attributed to a service, or costs that are shared among more than one service.

Under the approach last used when preparing regulatory accounts for submission to the ICRC, direct project costs and payroll costs are directly attributed to the different categories of distribution service. Costs are initially attributed to projects which are then assigned to either regulated or unregulated services. Regulated services are further split into standard control (prescribed) and alternate control (metering) services. Details on the process of allocating these directly attributable costs to the relevant distribution service are provided in section 3 below.

The costs for services provided by ActewAGL Retail are directly allocated to standard control services, under the approach used in the ICRC's past determination. The basis for this

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<sup>3</sup> The metering (alternative control) service comprises: meter testing, meter reading, meter checking, processing of meter data, provision of non-standard meters.

approach is that the retail services are not related to unregulated services, nor to the alternative control (ie metering) services, and so the costs are not attributed to them.

Electricity network overhead costs, corporate overhead costs and leasing costs for motor vehicles, plant and computers that cannot be directly allocated to projects are shared across different categories of service. In accordance with the cost allocation principles, appropriate allocators are used to allocate these shared costs. Details are provided in section 3 below and summarised in table 1.

### ***3. Allocation of costs between electricity distribution network services***

ActewAGL's electricity network costing is principally carried out in the Works and Assets Management System (WASP) and Oracle Project Accounting (OPA). Costs are attributed to multiple projects that feed into summary level activities which are attached to cost centres in the general ledger.

The classification of projects and summary level activities involves clear separation of business functions and a segregation of regulated and unregulated business costs. The regulated activities categories are as follows:

- Maintenance activities
- Operations activities
- External business – this covers works carried out in the networks for external parties and miscellaneous services such as special meter reads.
- Capital expenditure activities

Activities associated with metering (alternative control services) are separated out in each of these categories.

Separate activities have been created to capture all the unregulated business expenditure and revenue.

#### ***3.1 Allocation of costs to projects and activities***

Wherever possible, costs are allocated directly to projects and activities through OPA and WASP. Payroll and payroll related costs (superannuation, payroll tax, long service leave and workers compensation) are allocated on the basis of time booked against projects in electronic or manual time sheets. Some payroll costs must be shared across projects and services, as part of cost centre overheads. These costs are minimal and comprise the costs of administration and managerial roles that cannot be easily charged to defined projects.

A range of other costs is also directly allocated to projects. These include the costs of materials and contract services and other project-specific costs. Most contractor costs, including large items such as payments for pole inspection services and underground boring, are allocated directly to projects. Where contractors are engaged for longer term works that span multiple projects their costs are collected in a special cost centre and redistributed by way of timesheet entry. All plant and equipment is leased, with a few minor exceptions, and as far as possible these costs are allocated directly to projects and activities.

Electricity networks overheads include remaining costs that cannot be directly allocated to projects, but are shared across all services. These include the leasing costs of sedans, utilities and line trucks, some contract payments such as depot security, consumable items such as gloves and miscellaneous small hardware items (nuts and bolts), computing equipment leases, rates, insurances, staff training costs, stationary, electricity and protective clothing.

These electricity network cost centre overheads are allocated to all projects (and then to all regulated and unregulated activities and services), in proportion to the allocation of payroll costs – that is, in proportion to the number of hours booked against each project. The allocation is calculated at the beginning of each financial year, monitored on a monthly basis and modified during the year if necessary. Cost centre overhead rates are adjusted during the year so full overhead costs are allocated to the activities of the business. This will occur when there has been a significant material amount that has not been absorbed to activities and is unlikely to be recovered by year end.

Corporate overhead costs, for corporate services provided by other business units within ActewAGL Distribution, are also shared across all projects, and then regulated and unregulated activities and services. The costs are allocated on the same basis as payroll costs. That is, the relevant driver is the number of hours booked against each project type. The cost is allocated by way of a loading on payroll rates.

The remaining corporate service charge is reported as a Corporate Management Fee. This means that any amount that is unallocated via the above process is reported as a corporate management fee for the regulated business and is all allocated to the prescribed services.

The final component of the costs of providing ActewAGL Distribution's electricity network services is the cost of services provided by ActewAGL Retail, comprising customer services and marketing (see further discussion in section 4.3 below). Retail costs are fully allocated to standard control services. The nature of the retail services, mainly billing and related functions, means that they are not relevant to the unregulated services, nor to the alternative control (ie metering) services, so no retail costs are allocated to these services. The metering (alternative control) service involves: meter testing, meter reading, meter checking, processing of meter data, provision of non-standard meters. These do not require any retail services.

## 4. Allocation of costs to electricity networks

While the cost allocation requirements in the transitional Rules (clause 6.15.7(1)) deal with the allocation of costs **between** different categories of distribution service, a further important element of ActewAGL Distribution's cost allocation method is the basis for allocating shared costs between electricity networks and other business units of ActewAGL Distribution. The corporate overhead costs discussed above are shared across the components of ActewAGL Distribution's business – electricity networks, gas networks, water and wastewater.

Section 4.2 below explains how these shared costs are allocated **to** ActewAGL's electricity distribution network services. As background, section 4.1 provides a description of the structure of ActewAGL and the services provided by ActewAGL Distribution's business units.

Clause 6.15.7(6) of the transitional Rules also requires that the cost allocation method be consistent with the Distribution Ring-Fencing Guidelines. Under clause 6.17.1, the ring-fencing guidelines established by the ICRC in 2002 are the relevant guidelines. In relation to cost allocation, the ring-fencing guidelines require ActewAGL Distribution to allocate costs between a related business according to a methodology that is 'consistent with generally acceptable accounting standard and is otherwise fair and reasonable'<sup>4</sup>. ActewAGL Retail is a related business (as defined in the ICRC's ring-fencing guidelines). Section 4.3 below explains the basis of the allocation of ActewAGL Retail costs to electricity networks.

### 4.1 Services provided by ActewAGL Distribution and ActewAGL Retail

In order to understand the allocation of costs to electricity network services it is necessary to understand the structure of ActewAGL and the services provided by the businesses units within ActewAGL.

ActewAGL comprises two partnerships – ActewAGL Distribution and ActewAGL Retail. ActewAGL Distribution provides electricity distribution services, gas distribution services, and water and wastewater services (on behalf of ACTEW Corporation). ActewAGL Distribution also manages the business of TransACT and Ecowise Environmental Services on a cost recovery basis.

ActewAGL's electricity distribution services are provided by ActewAGL Networks, which is one of the business units of ActewAGL Distribution. The organisational structure of ActewAGL is shown in Attachment 1.

Some of the costs of providing ActewAGL's electricity distribution services are for services provided by other business units in ActewAGL. These services comprise corporate services (provided by other business units within ActewAGL Distribution) and retail services (provided by ActewAGL Retail).

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<sup>4</sup> ICRC 2002, *Ring-fencing guidelines for gas and electricity network service operators in the ACT*, November.

Corporate services provided by ActewAGL Distribution include:

- Office of the Chief Executive
- Internal audit
- Human resources
- Facilities management
- Legal and Secretariat
- Corporate Finance
- Business systems and commercial development
- Logistics.

Services provided by ActewAGL Retail include:

- Customer services and billing
- Marketing

An annual cost allocation is undertaken for all joint costs arising from the provision of the above services. The methodology is reviewed and the cost drivers for each activity are applied. The allocation of these joint costs is known as the Fixed Price Service Charge. In addition, and separate to the FPSC, the cost of insurance premiums is allocated across the businesses on the basis of cost drivers specific to insurance.

The drivers used to allocate costs to electricity networks and the other parts of ActewAGL are described in the following sections.

## 4.2 Corporate services

The choice of driver to allocate corporate services costs to electricity network depends on the type of service provided.

For some components of corporate services there is a clear causal basis for the allocation. For example, human resources costs are largely based on the number of employees in each business unit. The cost of helpdesk services is allocated on the basis of the number of helpdesk queries (email, phone, fax) received from each business division. Some of the costs of facilities management services are allocated directly to the relevant business (eg maintenance costs for the Greenway depot are allocated to Networks). Apart from space used by corporate services, Civic and Fyshwick facilities management costs are allocated on the basis of square meterage used by each division. The costs of IT development are allocated on the basis of the usage of software applications.

The estimated time spent in providing services is the appropriate allocator in some cases. For example, the costs of corporate regulatory and treasury services are allocated on the basis of the estimated time spent on work for each business. Corporate services costs also include a share of logistics costs associated with warehousing, processing and support and fleet management. The allocation of logistics costs is on the basis of hours worked per business unit, except where costs can be directly attributed for warehouse rent, where floor area utilised is the driver. Both of these are then weighted to give the overall allocation for each division.

For several of the components of corporate services there is no ideal causal allocator. ActewAGL's approach in these cases is to use a weighted average of 4 business drivers – percentage of revenue, percentage of profit, percentage of asset base and percentage of employee numbers. That is:

- 25% of the cost is allocated on the basis of revenue (ie the share of each business unit's revenue in total revenue),
- 25% is allocated on the basis of profit (ie the share of each business unit's profit in total profit);
- 25% is allocated on the basis of the value of the asset base (ie the share of each business unit's asset base in the total asset base); and
- 25% is allocated on the basis of employee numbers (ie the share of each business in the total number of employees).

Costs are allocated on this basis for the following services:

- CEO
- Internal Audit
- Legal and Secretariat (net of external legal costs which can be directly attributed to particular business divisions)
- Corporate Services' share of corporate costs

The method for allocating the corporate overhead costs is summarised in table 2.

### 4.3 Retail services costs

The retail services costs allocated to electricity networks cover the costs of customer services and marketing.

The customer services provided to electricity networks by ActewAGL Retail include: billing, cash collection, credit management, contact centre, business systems, and customer services management and overheads.

The costs of billing, cash collection and credit management are shared with water networks. These costs largely depend on the number of customers served. The relevant driver for allocating these shared costs is therefore the number of ACT electricity customers as a percentage of total electricity and water customers. Costs associated with billing, cash collection and credit management for the gas networks are captured separately and fully allocated to gas.

The costs of business systems are also shared between water and electricity networks. Gas business system services are outsourced. The driver used to allocate these costs is the number of ACT electricity customers as a percentage of total electricity and water customers.

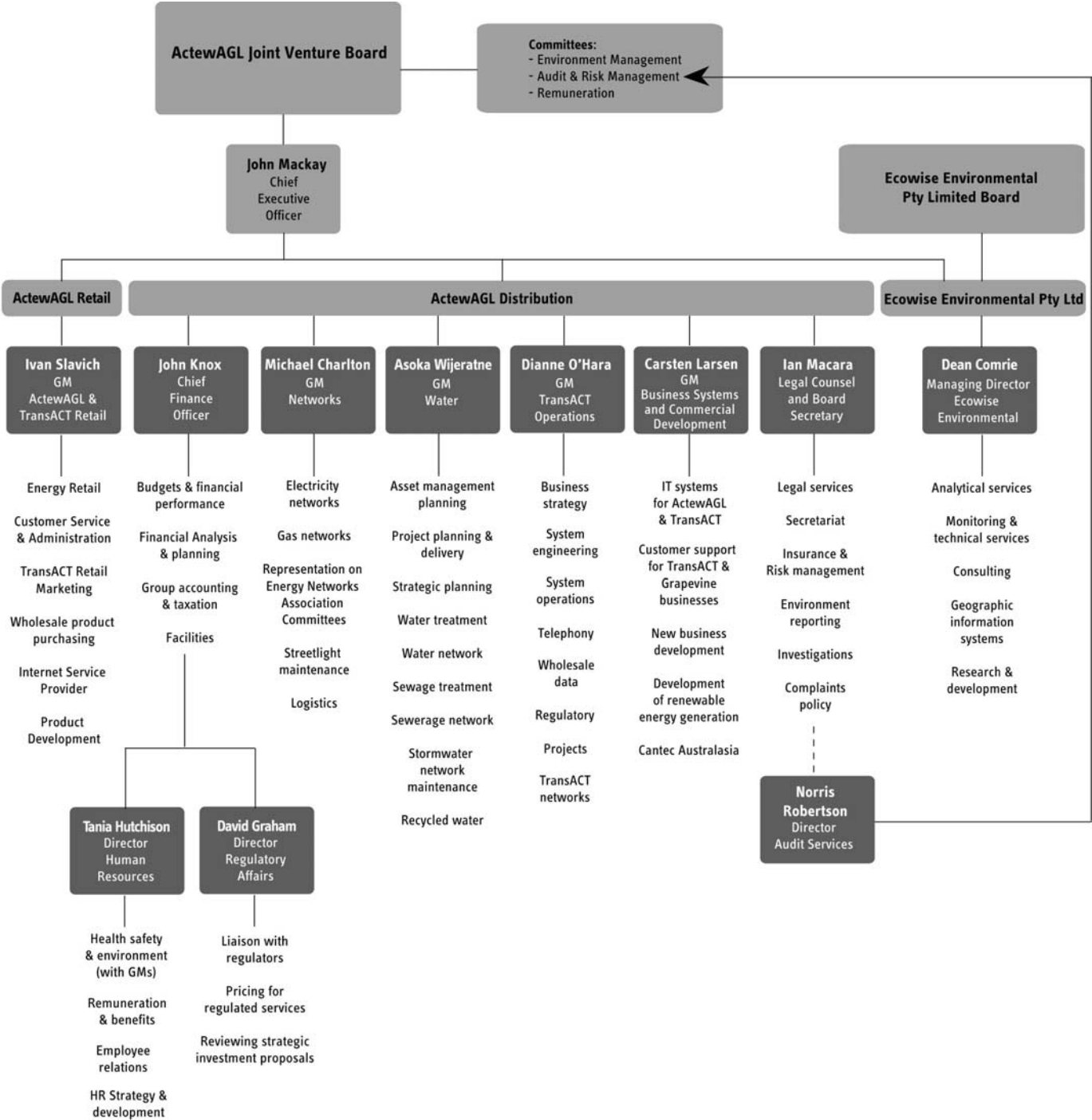
The costs of customer services management and overheads are shared among electricity, gas and water. These shared costs are allocated to electricity networks on the basis of the number of electricity network customers as a percentage of total customers (electricity, gas and water).

Contact centre calls are driven by the number of calls, rather than the number of customers. These costs are allocated on the basis of the number of calls for electricity network issues as a percentage of total calls. These costs are shared among water and electricity networks. Gas contact centre functions are outsourced.

Marketing costs are allocated directly to the relevant business as far as possible. For example, the cost of electricity network specific marketing is allocated directly to electricity networks. Other marketing costs, which cover items such as internet development and website maintenance, Yellow Pages advertising and sponsorships, are shared among electricity, gas and water in proportion to customer numbers.

All the retail services and drivers are listed in table 3.

## Attachment 1: ActewAGL corporate structure



## Attachment 2: Cost allocation summary tables

**Table 1: Allocation of costs between electricity distribution services**

Cost	Description	Service(s) allocated to	Basis of allocation (driver)
Direct project costs	Materials, contracted services and other costs that can be directly allocated to projects	Standard control Alternative control Unregulated	All directly allocated via Oracle Project Accounting (OPA) and Works Management System (WASP)
Payroll and payroll related costs	Salaries and wages and other payroll related costs (superannuation, payroll tax, workers compensation and long service leave.	Standard control Alternative control Unregulated	All directly allocated via OPA and WASP Based on time booked against projects.
Leasing costs	Plant costs	Standard control Alternative control Unregulated	Attributed directly to projects as far as possible, based on hours booked against projects. There are some shared leasing costs but they are included in electricity networks overheads (see row below)
Electricity networks overhead costs	Includes all the miscellaneous cost centre costs not allocated directly to projects. They include: motor vehicle leases, computing equipment leases, consumables, rates, insurance, staff training costs, stationary, electricity, protective clothing.	Standard control Alternative control Unregulated	Allocated in proportion to hours booked against projects (ie on the same basis as payroll costs)
Corporate overheads	See list in table 2 below	Standard control Alternative control Unregulated	Allocated between regulated and unregulated services in proportion to hours booked against projects.
Retail services	Customer services and marketing	Standard control only	All directly attributed to standard control services, as the retail services are not relevant to unregulated and alternative control (metering) services.

**Table 2: Allocation of corporate costs to Electricity Networks**

All costs are allocated net of TransACT and Ecowise costs. These costs are quarantined, specific to the provision of services by ActewAGL as per the TransACT Management Agreement (MA) and Ecowise Service Level Agreement (SLA).

Where a cost cannot be directly attributed to a division, it is allocated based upon a set of business drivers. The business drivers are the revenue, profit, asset base and the number of employees for each division. For the cost categories allocated in this way, 25% of the cost is allocated on the basis of revenue (i.e. the share of each division's revenue in total revenue), 25% is allocated on the basis of profit (i.e. the share of the division's profit in total profit), 25% is allocated on the basis of the relative asset base (i.e. the share of each division in the total asset base) and 25% is allocated based on the relative number of employees in each division.

Cost	Description	Costs shared between:	Basis of allocation (driver)
CEO	The office of Chief Executive Officer	Electricity Networks Gas Networks Water Retail TransACT (via MA)	There is no ideal causal allocator for these costs. CEO activity varies week to week.  Costs are allocated to each division on the basis of the business drivers.  Allocated costs are net of amounts received from TransACT as per the Management Agreement.
Internal Audit	Internal audit division provides services to all businesses as directed by the Executives and the Board	Electricity Networks Gas Networks Water Retail TransACT(via MA) Ecowise (via SLA)	There is no ideal causal allocator for these costs. Activity changes frequently depending upon business requirements.  Costs are allocated on the basis of business drivers.  Allocated costs are net of amounts received from TransACT and Ecowise as per the Management Agreement.
Human Resources	Includes: Employee relations; Health, safety and environment; HR strategy and environment; Injury management; Remuneration and benefits; Corporate services HR	Electricity Networks Gas Networks Water Retail TransACT(via MA) Ecowise (via SLA)	Injury management costs are allocated directly, based on specific divisional use.  All costs (excluding injury management) are allocated based on the number of (pro-rated) employees in each division.  Further sub-analysis is carried out for Remuneration and Benefits (cost of running the payroll dept) to allow for the additional processing (time and cost) of overtime. The total costs of overtime paid by each division are converted to a full time equivalent employee number, then

			<p>added to the actual number of employees to build an appropriate driver for allocation. This fairly allocates (weights) costs in line with divisional overtime activity</p> <p>Salary and HR costs for Corporate Services employees are allocated by the business drivers.</p> <p>Allocated costs are net of amounts received from TransACT and Ecowise as per the Management Agreement.</p>
Facilities Management	Management of facilities at Greenway, Mitchell, Fyshwick and Civic	<p>Electricity Networks</p> <p>Gas Networks</p> <p>Water</p> <p>Retail</p> <p>TransACT(via MA)</p> <p>Ecowise (via SLA)</p>	<p>Greenway costs are directly allocated to Electricity Networks and Gas Networks.</p> <p>Mitchell is occupied by the Water Division and all related costs are allocated directly to Water.</p> <p>Floor space occupied by Retail and all associated costs are allocated directly to Retail.</p> <p>Remaining costs such as the salaries of Facilities Management employees and the costs of occupation of Civic and Fyshwick by the whole of Corporate Services which cannot be directly costed to a division are allocated on the basis of business drivers.</p> <p>Allocated costs are net of amounts received from TransACT and Ecowise as per the Management Agreement.</p>
Legal and Secretariat	<p>Includes the services:</p> <p>Legal advice and compliance;</p> <p>Insurance and risk;</p> <p>Secretariat and corporate governance;</p> <p>Investigations;</p> <p>Environment;</p>	<p>Electricity Networks</p> <p>Gas Networks</p> <p>Water</p> <p>Retail</p> <p>TransACT(via MA)</p> <p>Ecowise</p>	<p>External legal costs are allocated directly to the relevant business.</p> <p>All other Legal &amp; Secretariat costs are allocated on the basis of business drivers.</p> <p>Allocated costs are net of amounts received from TransACT as per the Management Agreement.</p> <p>Ecowise pay directly for all legal expenses.</p>
Corporate Finance	<p>Includes the services:</p> <p>Business advisory and treasury;</p> <p>Accounting and taxation;</p> <p>Business planning and analysis;</p> <p>System support;</p>	<p>Electricity Networks</p> <p>Gas Networks</p> <p>Water</p> <p>Retail</p> <p>TransACT(via MA)</p>	<p>Costs of regulatory and treasury work are allocated based on the estimated time spent.</p> <p>All other costs are allocated via the business drivers.</p>

	Regulatory affairs and pricing;	Ecowise (via SLA)	
Business Systems	Business Systems is made up of the following: BSCD Executive IT Applications IT Infrastructure Group		
BSCD Executive		Electricity Networks Gas Networks Water Retail	There is no ideal causal allocator for these costs. BSCD Executive works on a wide variety of different projects.  Costs are allocated on the basis of business drivers.
IT Applications	Supports in-house and external software applications.	Electricity Networks Gas Networks Water Retail TransACT(via MA) Ecowise (via SLA)	Where the software is used by a specific division the costs are allocated directly to that division.  Where all divisions use particular software, the costs are allocated on the basis of the business drivers.  Allocated costs are net of amounts received from TransACT and Ecowise as per the Management Agreement.
IT Infrastructure Group	IT infrastructure group is made up of the following: IT Infrastructure Exec Desktop Support IT Development Telecommunications Customer Services		Each component cost centre is separately analysed. Costs are apportioned directly based upon use apart from the IT Infrastructure Executive costs.  There is no causal allocator for IT infrastructure executive, so the cost is apportioned based upon the other costs centres - desktop support, IT development, telecommunications and customer services.
IT Infrastructure Exec		Electricity Networks Gas Networks Water Retail	Average of other cost centres within the infrastructure group.
Desktop Support	Help Desk	Electricity Networks Gas Networks Water Retail TransACT(via MA) Ecowise (via SLA)	Allocated directly to each business on the basis of the number of helpdesk queries received.  Those helpdesk costs associated with Corporate Services are then allocated to the divisions on the basis of business drivers.  Allocated costs are net of amounts received from TransACT and

			Ecowise as per the Management Agreement.
IT Development	Lease cost for servers and associated costs.	Electricity Networks Gas Networks Water Retail TransACT(via MA) Ecowise (via SLA)	The first step is to align costs of IT Development (predominantly hardware) with the associated software application that sits upon it.  This is then allocated in the same way as IT Applications detailed above.  Allocated costs are net of amounts received from TransACT and Ecowise as per the Management Agreement.
Telecommunications	Networks, hardware such fixed and truck mobile phone systems and the provision of network services.	Electricity Networks Gas Networks Water Retail TransACT(via MA) Ecowise (via SLA)	Allocated directly to each division based upon use of telecom equipment by each business division (TMR, LAN, WAN, DDRN, PABX).  Costs allocated to Corporate are allocated to the divisions on the basis of the business drivers.  Allocated costs are net of amounts received from TransACT and Ecowise as per the Management Agreement.
Customer Service	Help Desk	Electricity Networks Gas Networks Water Retail TransACT(via MA) Ecowise (via SLA)	Allocated to each business on the basis of the number of helpdesk queries received.  Help desk costs for Corporate Services are then allocated to the divisions on the basis of business drivers  Allocated costs are net of amounts received from TransACT and Ecowise as per the Management Agreement.
Logistics	Includes the services: Warehousing; Accounts payable and contract management; Fleet Management.	Electricity Networks Gas Networks Water Retail TransACT(via MA) Ecowise (via SLA)	For warehousing, the costs are allocated directly to each division based on floor space occupied for inventory belonging to each division.  For accounts payable and contract management services the costs are allocated on the basis of time spent on each division.  Fleet management costs are allocated directly to each division based on the number of motor vehicle per division.

Table 3: Allocation of retail costs to Electricity Networks

Cost	Description	Costs shared between:	Basis of allocation (driver)
Customer services	Includes billing services, cash collection, credit management, contact centre, business systems and overheads.	<p>(i) Electricity network and water for billing, cash collection, business systems and credit management (these services are outsourced for gas network).</p> <p>(ii) Electricity network, gas network and water for management and overheads.</p> <p>(iii) Electricity network and water for contact centre costs (these services are outsourced for gas networks)</p>	<p>(i) Electricity network customers as a % of all electricity and water customers billed in Gentrack system for billing services, cash collection business systems and credit management.</p> <p>(ii) Management time spent on Electricity network customers as a % of time spent on total retail customers (electricity, gas, water) for overheads.</p> <p>(iii) Electricity network calls as a % of total calls for contact centre costs.</p>
Marketing	Includes network specific marketing, other marketing (which includes publications such as Yellow Pages, internet development and website maintenance), sponsorships and overheads	<p>(i) Network specific marketing costs are directly allocated to the relevant network (electricity network, gas network or water)</p> <p>(ii) Electricity networks and Gas networks for marketing other than network specific marketing</p> <p>(iii) Electricity networks, water and gas networks for management overheads.</p>	<p>(i) Electricity network specific marketing costs are directly allocated to electricity networks</p> <p>(ii) A share of other marketing costs is allocated to electricity networks on the basis of customer numbers (ACTEW Corporation marketing costs are separately allocated directly to water).</p> <p>(iii) Management overheads are allocated on the basis of the % of time spent on network projects.</p>