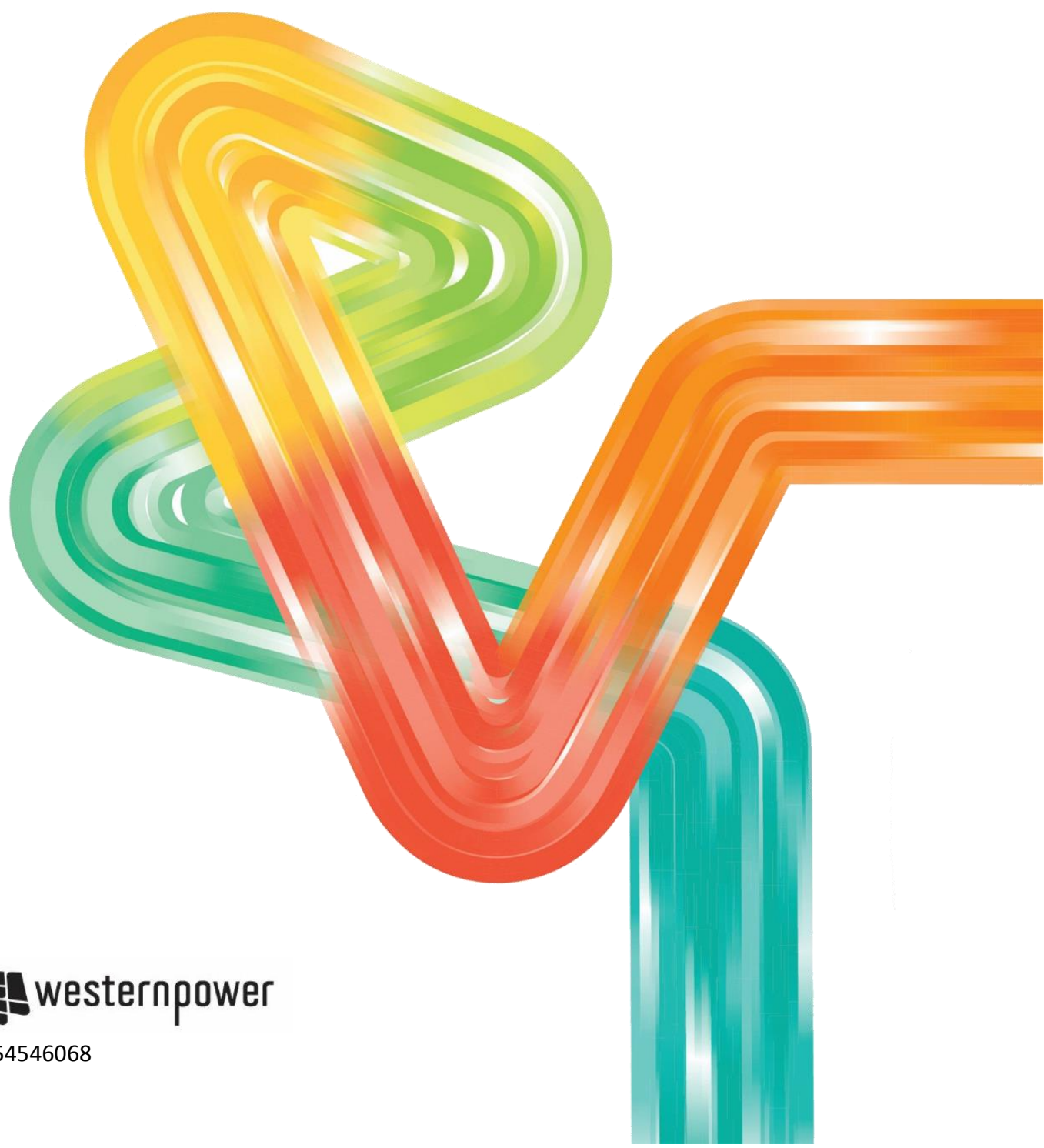


# Attachment 1.5

Regulatory Financial Statements for the year ending 30 June 2020

Access Arrangement Information

1 February 2022



**Electricity Networks Corporation  
Trading as Western Power  
Regulatory Financial Statements (reviewed)  
for the year ended 30 June 2020**

<b>Contents</b>	<b>Page</b>
Directors' overview	1
Regulatory financial statements	
1. Profit and loss account (disaggregated)	5
2. Profit and loss account (regulatory financial statement)	6
3. Cash flow statement (disaggregated)	7
4. Cash flow statement (regulatory financial statement)	8
5. Balance sheet (disaggregated)	9
6. Balance sheet (regulatory financial statement)	10
7. Capital expenditure (disaggregated)	12
8. Capital expenditure (regulatory financial statement)	13
9. Operating expenditure (disaggregated)	14
10. Operating expenditure (regulatory financial statement)	15
11. Contributions	16
12. Regulatory adjustments	17
13. Summary of significant accounting policies	19
Directors' declaration	27
Independent agreed-upon-procedures report	28

## Directors' overview

The directors of Electricity Networks Corporation trading as Western Power (**Western Power**) present this special purpose report in accordance with the Economic Regulation Authority's (ERA's) *Guidelines for Access Arrangement Information* (December 2010) (**Guidelines**).

## Corporate information

Western Power is incorporated under the *Electricity Corporations Act 2005 (WA)* (**Act**) and domiciled in Australia. The registered office and principal place of business is 363 Wellington Street, Perth, Western Australia 6000.

Western Power is primarily involved in the building, maintenance and operation of the electricity network throughout the majority of southern Western Australia. For a more detailed description of Western Power's operations and principal activities refer to the 2020 annual report (including the audited 2019/20 statutory financial statements) available on Western Power's website [www.westernpower.com.au](http://www.westernpower.com.au).

## Current and likely developments

Current and likely developments in Western Power's operations and their expected results are set out below.

### Energy Transformation Strategy

Western Power is a key proponent of the Energy Transformation Strategy (**Strategy**) - being the State Government's work program to ensure delivery of safe, secure, reliable, sustainable and affordable electricity to Western Australians. In support of this, Western Power continues to work closely with the Energy Transformation Taskforce established to oversee delivery of the Strategy, and the Energy Transformation Implementation Unit - a dedicated unit within Energy Policy WA.

The Strategy, as announced by the Minister for Energy in March 2019 aims to respond to the energy transformation underway and to plan for the future of the Western Australian power system. It is to be delivered under three work streams:

1. Whole of system planning: The 'Whole of system plan for the South West' due in late 2020 will identify the best options for investment in the Western Australian power system. With a focus on maintaining system security and reliability at the lowest sustainable cost, the plan will assist in the transition to a lower-emissions power system and guide efficient power system investment.

The options in the plan are expected to consider opportunities for Western Power to introduce new technologies into the grid including efficient integration of more renewable generation rather than depending solely on the traditional centralised network.

2. Foundation regulatory frameworks: This will see significant changes to Western Power, including the introduction of the Security Constrained Economic Dispatch market in October 2022. This market will manage generation dispatch in a way to minimise the total cost of wholesale energy and help connect new renewable generation to the grid on a constrained access basis.

The modernisation of the framework is expected to help improve how Western Power is regulated and the standards to which Western Power and market participants must compete. To support this, technical rules will require review - including for both existing and newer technology types and connections.

3. Distributed energy resources (**DER**): this is explained in more detail in the next section of these likely developments - including details of the State Government's new DER roadmap.

The outcomes of the State Government's Energy Transformation Strategy will influence how Western Power re-shapes the business to support the changing energy mix, evolve grid solutions, connect customers, and how customers interact with the grid. It will also influence Western Power's fifth access arrangement (**AA5**) regulatory submission.

### Distributed Energy Resources

The sustained rise of distributed energy resources (**DER**) - including roof-top solar systems, battery storage, electric vehicles and microgrids - is fundamentally changing the energy value chain and driving increasingly complex consumption and production patterns. This continues to challenge the historical approach of delivering electricity one-way across a centralised network.

The integration of DER into Western Power's traditional network presents both opportunities and challenges. The opportunity is to leverage these small-scale devices to:

- > improve the safety and reliability of existing network services; and
- > provide new products, solutions and choices to customers and the energy market.

These opportunities are tempered by technical network issues and barriers, which if not effectively coordinated could exacerbate voltage management and system security risks, requiring intervention.

To create the opportunities and address these challenges, the State Government released a DER roadmap in April 2020. This roadmap is part of Western Power's plan to future-proof the network so as to continue to seamlessly connect homes, businesses and essential community infrastructure to an increasingly dynamic energy mix. The roadmap will help Western Power support high levels of DER on the network ensuring safe, secure and affordable electricity supply now and in the future.

Western Power is a key supporter of the DER roadmap, and continues to work with the State Government and other energy partners to implement.

### Decarbonisation

An important trend in the energy system is electrification - being the increasing replacement of fossil fuels, such as natural gas and petrol, with electricity. Although most discussions on climate change focus on transitioning existing generation fleets to low emission technologies, it is important to note electricity represents less than 20 per cent of final energy used, with the remaining 80 per cent fossil and bioenergy hydrocarbons.

Achievement of Government climate change controls is likely to require material emission reductions from other sectors in the economy as they transition from fossil and bioenergy hydrocarbons. The decarbonisation of these sectors through electrification has the potential to increase demand for Western Power's products and services.

To capture the opportunities presented by decarbonisation, Western Power is:

- > supporting development of the State Government's electric vehicle strategy to transition the transport sector to a low emissions future
- > leveraging business capabilities to develop products and services that support the electrification of industrial and processing sectors.

## Directors' overview (continued)

### Current and likely developments (continued)

#### Public safety

Western Power is required to maintain and replace network assets in a way that acceptably delivers to the community a safe, reliable and affordable connection to energy.

All electrical networks in Australia including the South West Interconnected Network (**SWIN**), have an inherent level of risk in operation. This risk arises from environmental and weather related factors, which are outside of the operator's control, as well as from risks that are identified as part of the operation's strategies.

Western Power manages safety risks associated with the network in accordance with its asset management system. This system has been independently:

- > assessed as compliant with the requirements of *Australian Standard (AS) 5577 Electricity network safety management systems*
- > certified against the *International Organisation for Standardisation (ISO) 55001: 2014 Asset management - management systems*.

Western Power's asset management system ensures continued management of the network in an effective and sustainable manner considering the risk posed.

#### Asset utilisation

A key strategic challenge for Western Power is the efficient use of existing assets. This is especially evident considering Western Power's network was largely built prior to 1965, with a high proportion of assets in the second half of their expected life.

In general, older networks pose a greater risk, with the frequency and severity of failures expected to increase as assets age. Western Power's annual 'state of the infrastructure' report as published on the website, details the current state and level of performance of the network, and highlights the associated risks.

The combination of Western Power's ageing assets and rise of distributed energy resources presents a challenging and complex investment environment. To assist in this, Western Power is:

- > evolving the current centralised network into a modular grid by investing in stand-alone power systems, battery storage devices and microgrids
- > continuing to:
  - invest in the network to achieve safety and reliability standards whilst minimising stranded assets; and
  - mature the Network Risk Management Tool (**NRMT**) seen as best practice within the industry for asset management
- > increasing planning capability with transition to scenario-based modelling and development of an integrated grid transformation forecasting tool
- > supporting:
  - customer choice through modernised product suites such as community powerbanks; and
  - the introduction of constrained access to increase network utilisations.

#### Cyber security

Western Power like all businesses, must ensure it invests in appropriate levels of cyber security infrastructure to protect operations from on-going and increasing levels of threats. This is heightened with the increase in personnel working from home due to the COVID-19 pandemic.

Western Power too, being a critical infrastructure provider to Western Australia and key part of Australia's overall electricity supply, must ensure that its core service of delivering safe, reliable and affordable energy to the community, is protected from interference from individuals and organised attackers who may have a varied range of motivations.

Western Power is responding to these requirements by making targeted investments to protect itself from immediate threats as they arise, whilst executing a long-term program to continuously lift the maturity of its cyber security defence capabilities. The scope of this uplift is a prioritised, risk driven program providing a broad and thorough treatment of all cyber security domains based on the Australian Energy Sector Cyber Security Framework

While these efforts are managed from within Western Power, there is a high level of coordination with other industry participants and both state and federal government bodies.

### Significant regulatory changes

#### Electricity Industry Amendment Bill 2019 (WA)

In April 2020, the Western Australian State Parliament passed the *Electricity Industry Amendment Bill 2019 (WA) (Bill)*. This marked a significant milestone for Western Power.

The Bill grants regulatory approval for Western Power to offer new energy products, solutions and choices to the community outside those of the current centralised network - specifically stand-alone power systems (**SPS**) and energy storage devices.

SPS are proving to be a more reliable, renewable and economic alternative to traditional poles and wires - particularly in low-population density rural and remote areas. In support of this, and the successful pilot trial in the Great Southern region, SPS are expected to be a key tool in Western Power's future autonomous network - being grid connection is not required.

Energy storage devices such as batteries, are increasingly important in managing the influx of roof-top solar panels on the network - being they can store excess energy throughout the day for release when required to stabilise the electricity system. Community batteries are currently being trialled by Western Power as part of the PowerBank project - whereby a large-scale battery is placed within a neighbourhood providing residents a virtual storage option for excess energy generation.

The new Bill also supports future amendments to the *Electricity Networks Access Code 2004 (WA)* allowing cost recovery of these energy solutions through regulated tariffs.

## Directors' overview (continued)

### Significant regulatory changes (continued)

#### Access arrangement 5

The *Electricity Networks Access Code 2004 (WA)* requires Western Power to submit its next access arrangement to the ERA by the date specified in the access arrangement (the revisions submission date). Western Power's current access arrangement (**AA4**) specifies a revisions submission date for the fifth access arrangement of 26 February 2021. Western Power sought the Minister for Energy's approval to extend the submission date to 1 February 2022 to enable the submission to incorporate energy reforms being progressed as part of the State Government's Energy Transformation Strategy.

The Minister for Energy has endorsed the extension and changes to the *Electricity Networks Access Code 2004 (WA)* have been gazetted modifying the submission date to 1 February 2022.

### Regulatory financial statements

These financial statements form a special purpose financial report prepared for the sole purpose of the ERA. They have been prepared in accordance with Australian accounting standards and other authoritative pronouncements of the Australian Accounting Standards Board (**AASB**) (including Australian interpretations), as modified by the requirements of the ERA's Guidelines. For a more detailed description of the accounting policies adopted in the preparation of these financial statements refer to the 'summary of significant accounting policies' section within this report.

The presentation of these financial statements is in accordance with the pro-forma statements prescribed in appendix A of the ERA's Guidelines. In compliance with these Guidelines, any discretionary headings agree with, or are traceable to the headings in Western Power's audited 2019/20 statutory financial statements.

#### (a) Regulatory allocations

In compliance with the ERA's Guidelines, these financial statements present Western Power's audited 2019/20 statutory financial statements (base accounts) disaggregated into the following business segments:

- > Covered Transmission (regulated transmission services)
- > Covered Distribution (regulated distribution services)
- > System Management (unregulated system operation services)
- > Unregulated (contestable services)

The disaggregation is in accordance with the ERA's Guidelines and Western Power's approved 2019/20 cost and revenue allocation method (**CRAM**), specifically:

- > transactions that are directly attributable to a business segment are attributed accordingly
- > transactions that are not directly attributable to a business segment are allocated, where practicable, on a causation basis that most appropriately correlates to the underlying nature of the transaction.

#### (b) Regulatory adjustments

In compliance with the ERA's Guidelines, these financial statements include regulatory adjustments that primarily reflect differences in accounting policies and disclosures between Western Power's audited 2019/20 statutory financial statements (base accounts) and 2019/20 regulatory financial statements, e.g.:

##### > **Capital contributions (accounting policy adjustment 12.1)**

For regulatory financial reporting, capital contributions are recognised in the profit and loss account on receipt. This contrasts to statutory financial reporting, where capital contributions are deferred to the balance sheet and subsequently recognised in the profit and loss account in compliance with *AASB 1058 Income of not-for-profit entities* - being only when developers and/or customers are connected to the network in satisfaction of the performance obligations to which the capital contributions relate.

##### > **Borrowing costs (accounting policy adjustment 12.2)**

For regulatory financial reporting, borrowing costs are not capitalised to the balance sheet. This contrasts to statutory financial reporting, where borrowing costs are capitalised to the balance sheet in compliance with *AASB 123 Borrowing Costs* - being where they are directly attributable to the acquisition, construction or production of a qualifying asset. A qualifying asset is one that takes a substantial period of time to be ready for their intended use.

##### > **Depreciation: leased assets and unregulated owned fleet (accounting disclosure adjustment 12.3)**

For regulatory financial reporting, depreciation for leased assets and unregulated owned fleet is recognised as operating expenditure. This contrasts to statutory financial reporting, where this depreciation is recognised as 'depreciation and amortisation' in compliance with *AASB 16 Leases* and *AASB 116 Property, plant and equipment*.

##### > **Regulated asset base (RAB) (adjustments 12.4 and 12.5)**

For regulatory financial reporting, capital expenditure that does not meet the New Facilities Investment Test (**NFIT**) (including forecast environmental and rehabilitation costs provided for) is not capitalised to the RAB. This contrasts to statutory financial reporting, where capital expenditure is capitalised to the fixed asset register (**FAR**) in compliance with *AASB 116 Property, plant and equipment* and *AASB 138 Intangible assets* (including expenditure provided for under *AASB 137 Provisions, contingent liabilities and contingent assets*).

For further details regarding all regulatory adjustments applied in these financial statements refer to the 'regulatory adjustments' section within this report.

## Directors' overview (continued)

### Regulatory financial statements (continued)

#### (c) Audit assurance

In compliance with the ERA's Guidelines, this special purpose financial report includes an 'agreed-upon-procedures report' from the independent auditor appointed to Western Power under the Act, i.e. the Auditor General for Western Australia (**Auditor General**). The Auditor General's procedural engagement and resultant report seeks to cover:

- > the application of the CRAM in the preparation of the regulatory financial statements
- > the consistency with stated accounting policies, principles and methods
- > the arithmetic accuracy of the regulatory financial statements.

1. Profit and loss account (disaggregated) for the year ended 30 June 2020

Description	Base	Covered	Covered	System	Unregulated
	account	Transmission	Distribution	Management	
	\$'000	\$'000	\$'000	(unregulated)	\$'000
Network services (revenue target)	1,523,400	343,092	1,180,308	-	-
Network services (non-revenue target)	18,383	4,280	14,103	-	-
Network services (other)	56,094	4,298	17,628	2,532	31,636
Contributions (excluding gifted network assets)	188,812	58,089	130,723	-	-
Gifted network assets	48,044	-	48,044	-	-
Proceeds from disposal of owned assets*	12,355	11,353	596	-	406
Other income	1,058	28	300	-	730
<b>Total income</b>	<b>1,848,146</b>	<b>421,140</b>	<b>1,391,702</b>	<b>2,532</b>	<b>32,772</b>
Operating expenditure costs	(633,095)	(119,793)	(479,378)	(2,609)	(31,315)
<i>Operations</i>	(90,441)	(28,557)	(36,620)	-	(25,264)
<i>Maintenance</i>	(200,769)	(50,948)	(149,821)	-	-
<i>Customer service and billing</i>	(37,105)	-	(36,412)	-	(693)
<i>Corporate</i>	(111,744)	(31,946)	(78,697)	-	(1,101)
<i>Other operating expenditure</i>	(193,036)	(8,342)	(177,828)	(2,609)	(4,257)
Depreciation and amortisation	(364,428)	(108,583)	(255,496)	-	(349)
Bad debts	(324)	(71)	(246)	-	(7)
Borrowing costs	(263,594)	(72,588)	(189,601)	-	(1,405)
Book value on disposal of owned assets*	(27,576)	(3,640)	(23,527)	-	(409)
<b>Total expenses</b>	<b>(1,289,017)</b>	<b>(304,675)</b>	<b>(948,248)</b>	<b>(2,609)</b>	<b>(33,485)</b>
<b>Earnings before tax equivalent</b>	<b>559,129</b>	<b>116,465</b>	<b>443,454</b>	<b>(77)</b>	<b>(713)</b>
<b>Tax equivalent</b>	<b>(168,481)</b>	<b>(35,094)</b>	<b>(133,625)</b>	<b>23</b>	<b>215</b>
<b>Profit/(loss) after tax equivalent</b>	<b>390,648</b>	<b>81,371</b>	<b>309,829</b>	<b>(54)</b>	<b>(498)</b>

There are no amounts in respect of excluded transmission and excluded distribution activities.

**Note:**

\* Total income and total expenses reported in the regulatory financial statements each differ by \$12.355 million to total income and total expenses reported in the statutory financial statements. This is due to the regulatory disclosure requirements in the ERA's Guidelines - being the proceeds and written down value on the disposal of owned assets are disclosed separately. In contrast, the proceeds and written down value on the disposal of owned assets are disclosed net of one another in the statutory financial statements, i.e. a net loss of \$15.221 million. The latter is in accordance with Australian accounting standards.



2. Profit and loss account (regulatory financial statement) for the year ended 30 June 2020

Covered Transmission

Description	Base account \$'000	Regulatory adjustment \$'000	Regulatory account \$'000	Support reference #
Network services (revenue target)	343,092	-	343,092	
Network services (non-revenue target)	4,280	-	4,280	
Network services (other)	4,298	-	4,298	
Contributions (excluding gifted network assets)	58,089	(12,416)	45,673	11, 12.1
Proceeds from disposal of owned assets	11,353	-	11,353	
Other income	28	-	28	
<b>Total income</b>	<b>421,140</b>	<b>(12,416)</b>	<b>408,724</b>	
Operating expenditure costs	(119,793)	(1,115)	(120,908)	9, 10
<i>Operations</i>	(28,557)	-	(28,557)	
<i>Maintenance</i>	(50,948)	-	(50,948)	
<i>Corporate</i>	(31,946)	(1,115)	(33,061)	12.3
<i>Other operating expenditure</i>	(8,342)	-	(8,342)	
Depreciation and amortisation	(108,583)	1,115	(107,468)	Note 1., 12.3
Bad debts	(71)	-	(71)	
Borrowing costs	(72,588)	(3,712)	(76,300)	12.2
Book value on disposal of owned assets	(3,640)	-	(3,640)	
<b>Total expenses</b>	<b>(304,675)</b>	<b>(3,712)</b>	<b>(308,387)</b>	
<b>Earnings before tax equivalent</b>	<b>116,465</b>	<b>(16,128)</b>	<b>100,337</b>	
<b>Tax equivalent</b>	<b>(35,094)</b>	<b>4,838</b>	<b>(30,256)</b>	12.6
<b>Profit/(loss) after tax equivalent</b>	<b>81,371</b>	<b>(11,290)</b>	<b>70,081</b>	

Covered Distribution

Description	Base account \$'000	Regulatory adjustment \$'000	Regulatory account \$'000	Support reference #
Network services (revenue target)	1,180,308	-	1,180,308	
Network services (non-revenue target)	14,103	-	14,103	
Network services (other)	17,628	-	17,628	
Contributions (excluding gifted network assets)	130,723	(58,071)	72,652	11, 12.1
Gifted network assets	48,044	-	48,044	
Proceeds from disposal of owned assets	596	-	596	
Other income	300	-	300	
<b>Total income</b>	<b>1,391,702</b>	<b>(58,071)</b>	<b>1,333,631</b>	
Operating expenditure costs	(479,378)	(2,910)	(482,288)	9, 10
<i>Operations</i>	(36,620)	-	(36,620)	
<i>Maintenance</i>	(149,821)	-	(149,821)	
<i>Customer service and billing</i>	(36,412)	-	(36,412)	
<i>Corporate</i>	(78,697)	(2,910)	(81,607)	12.3
<i>Other operating expenditure</i>	(177,828)	-	(177,828)	
Depreciation and amortisation	(255,496)	2,910	(252,586)	Note 1., 12.3
Bad debts	(246)	-	(246)	
Borrowing costs	(189,601)	-	(189,601)	12.2
Book value on disposal of owned assets	(23,527)	-	(23,527)	
<b>Total expenses</b>	<b>(948,248)</b>	<b>-</b>	<b>(948,248)</b>	
<b>Earnings before tax equivalent</b>	<b>443,454</b>	<b>(58,071)</b>	<b>385,383</b>	
<b>Tax equivalent</b>	<b>(133,625)</b>	<b>17,421</b>	<b>(116,204)</b>	12.6
<b>Profit/(loss) after tax equivalent</b>	<b>309,829</b>	<b>(40,650)</b>	<b>269,179</b>	

Note:

- 'Depreciation and amortisation' reported in these statements represents 'depreciation and amortisation' reported in the statutory financial statements. This is in accordance with the ERA's Guidelines, whereby both statements are prepared from the statutory base accounts and the accounting records that underlie these base accounts - being the statutory fixed asset register recognised at historical cost and not the regulated asset base.

'Depreciation and amortisation' is regulated unless attributable to unregulated discrete assets only, including stand-alone power systems, and excluding "fleet" per regulatory adjustment 12.3.

Any regulatory adjustment(s) to 'depreciation and amortisation' are for year-to-date accounting disclosure purposes only, i.e. 'leased assets and unregulated owned fleet depreciation' accounting disclosure adjustment 12.3.

3. Cash flow statement (disaggregated) for the year ended 30 June 2020

Description	Base account \$'000	Covered Transmission \$'000	Covered Distribution \$'000	System Management (unregulated) \$'000	Unregulated \$'000
Operating activities					
<i>Receipts</i>	1,854,368	425,614	1,391,160	2,658	34,936
<i>Payments</i>	(852,386)	(146,481)	(666,301)	(2,586)	(37,018)
<b>Net operating cash flows</b>	<b>1,001,982</b>	<b>279,133</b>	<b>724,859</b>	<b>72</b>	<b>(2,082)</b>
Investing activities					
<i>Receipts</i>	12,355	11,353	596	-	406
<i>Payments</i>	(831,506)	(272,156)	(535,687)	-	(23,663)
<b>Net investing cash flows</b>	<b>(819,151)</b>	<b>(260,803)</b>	<b>(535,091)</b>	<b>-</b>	<b>(23,257)</b>
Financing activities					
<i>Receipts</i>	1,708,289	457,723	1,240,424	-	10,142
<i>Payments</i>	(1,894,464)	(508,168)	(1,375,855)	-	(10,441)
<b>Net financing cash flows</b>	<b>(186,175)</b>	<b>(50,445)</b>	<b>(135,431)</b>	<b>-</b>	<b>(299)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(3,344)</b>	<b>(32,115)</b>	<b>54,337</b>	<b>72</b>	<b>(25,638)</b>
Cash and cash equivalents at beginning of reporting year	31,599				
Net decrease in cash and cash equivalents	(3,344)				
<b>Cash and cash equivalents at end of reporting year*</b>	<b>28,255</b>	<b>4,404</b>	<b>11,500</b>	<b>-</b>	<b>12,351</b>

\* Cash and cash equivalent transactions (after isolation of discrete security deposits and high voltage distribution pool cash at bank) are recorded collectively in one bank account and redistributed so as to equitably fund the core covered transmission and distribution businesses.

4. Cash flow statement (regulatory financial statements) for the year ended 30 June 2020

Covered Transmission

Description	Base account \$'000	Regulatory adjustment* \$'000	Regulatory account \$'000
Operating activities			
Receipts	425,614	-	425,614
Payments	(146,481)	-	(146,481)
<b>Net operating cash flows</b>	<b>279,133</b>	<b>-</b>	<b>279,133</b>
Investing activities			
Receipts	11,353	-	11,353
Payments	(272,156)	(3,807)	(275,963)
<b>Net investing cash flows</b>	<b>(260,803)</b>	<b>(3,807)</b>	<b>(264,610)</b>
Financing activities			
Receipts	457,723	-	457,723
Payments	(508,168)	-	(508,168)
<b>Net financing cash flows</b>	<b>(50,445)</b>	<b>-</b>	<b>(50,445)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(32,115)</b>	<b>(3,807)</b>	<b>(35,922)</b>

Support  
reference  
#

Note 1., 12.4

Covered Distribution

Description	Base account \$'000	Regulatory adjustment* \$'000	Regulatory account \$'000
Operating activities			
Receipts	1,391,160	-	1,391,160
Payments	(666,301)	-	(666,301)
<b>Net operating cash flows</b>	<b>724,859</b>	<b>-</b>	<b>724,859</b>
Investing activities			
Receipts	596	-	596
Payments	(535,687)	4,419	(531,268)
<b>Net investing cash flows</b>	<b>(535,091)</b>	<b>4,419</b>	<b>(530,672)</b>
Financing activities			
Receipts	1,240,424	-	1,240,424
Payments	(1,375,855)	-	(1,375,855)
<b>Net financing cash flows</b>	<b>(135,431)</b>	<b>-</b>	<b>(135,431)</b>
<b>Net increase in cash and cash equivalents</b>	<b>54,337</b>	<b>4,419</b>	<b>58,756</b>

Support  
reference  
#

Note 1., 12.4

\* The cash flow statement is adjusted for regulatory adjustment(s) that cross business segments only, and not for regulatory adjustment(s) within a business segment.

**Note:**

1. This "adjustment" includes an amount of \$3.807 million for the transfer of capital additions between business segments only - being the reversal of the 2018/19 regulatory "adjustment" corrected in the base accounts in 2019/20.

5. Balance sheet (disaggregated) as at 30 June 2020

Description	Base account \$'000	Covered Transmission \$'000	Covered Distribution \$'000	System Management (unregulated) \$'000	Unregulated \$'000
<b>Current assets</b>					
<i>Cash and cash equivalents</i>	28,255	4,404	11,500	-	12,351
<i>Trade and other receivables</i>	97,753	23,441	72,258	-	2,054
<i>Prepayments</i>	10,428	3,055	7,373	-	-
<i>Accrued revenue</i>	149,853	28,741	121,112	-	-
<i>Inventories</i>	82,764	26,761	47,117	-	8,886
<i>Derivative financial instruments</i>	71	20	51	-	-
<b>Total current assets</b>	<b>369,124</b>	<b>86,422</b>	<b>259,411</b>	<b>-</b>	<b>23,291</b>
<b>Non-current assets</b>					
<i>Property, plant and equipment, and intangible assets</i>	11,378,994	3,133,521	8,184,825	-	60,648
<i>Right-of-use assets</i>	25,161	2,142	5,592	-	17,427
<i>Trade and other receivables</i>	506	112	384	-	10
<b>Total non-current assets</b>	<b>11,404,661</b>	<b>3,135,775</b>	<b>8,190,801</b>	<b>-</b>	<b>78,085</b>
<b>Total assets</b>	<b>11,773,785</b>	<b>3,222,197</b>	<b>8,450,212</b>	<b>-</b>	<b>101,376</b>
<b>Current liabilities</b>					
<i>Borrowings</i>	(35,704)	(9,583)	(25,905)	-	(216)
<i>Lease liabilities</i>	(9,333)	(421)	(1,099)	-	(7,813)
<i>Trade and other payables</i>	(177,838)	(45,486)	(117,019)	-	(15,333)
<i>Current tax equivalent liabilities</i>	(22,042)	(6,070)	(15,855)	-	(117)
<i>Derivative financial instruments</i>	(15,107)	(4,183)	(10,924)	-	-
<i>Deferred income</i>	(136,459)	(71,012)	(64,710)	-	(737)
<i>Provisions</i>	(88,234)	(30,147)	(57,667)	-	(420)
<b>Total current liabilities</b>	<b>(484,717)</b>	<b>(166,902)</b>	<b>(293,179)</b>	<b>-</b>	<b>(24,636)</b>
<b>Non-current liabilities</b>					
<i>Borrowings</i>	(7,507,058)	(2,014,817)	(5,446,784)	-	(45,457)
<i>Lease liabilities</i>	(16,022)	(1,700)	(4,439)	-	(9,883)
<i>Trade and other payables</i>	(459)	-	(459)	-	-
<i>Derivative financial instruments</i>	(84,276)	(23,338)	(60,938)	-	-
<i>Deferred tax equivalent liabilities</i>	(949,633)	(261,508)	(683,064)	-	(5,061)
<i>Deferred income</i>	(25,386)	(24,408)	(978)	-	-
<i>Provisions</i>	(16,223)	(7,553)	(8,620)	-	(50)
<b>Total non-current liabilities</b>	<b>(8,599,057)</b>	<b>(2,333,324)</b>	<b>(6,205,282)</b>	<b>-</b>	<b>(60,451)</b>
<b>Total liabilities</b>	<b>(9,083,774)</b>	<b>(2,500,226)</b>	<b>(6,498,461)</b>	<b>-</b>	<b>(85,087)</b>
<b>Net assets</b>	<b>2,690,011</b>	<b>721,971</b>	<b>1,951,751</b>	<b>-</b>	<b>16,289</b>
<b>Equity</b>					
<i>Share capital</i>	1,554,727				
<i>Accumulated profits/reserves*</i>	1,135,284				
<b>Total equity</b>	<b>2,690,011</b>				
* Accumulated profits/reserves					
<i>At start of reporting period</i>	845,542				
<i>Profit after tax equivalent</i>	390,648				
<i>Other comprehensive income</i>	(20,414)				
<i>Distributions provided for or paid in reporting year</i>	(80,492)				
<b>At end of reporting period</b>	<b>1,135,284</b>				

There are no amounts in respect of excluded transmission and excluded distribution activities.

6. Balance sheet (regulatory financial statement) as at 30 June 2020

Covered Transmission

Description	Base account \$'000	Regulatory adjustment \$'000	Regulatory account \$'000	Support reference #
<b>Current assets</b>				
<i>Cash and cash equivalents</i>	4,404	-	4,404	
<i>Trade and other receivables</i>	23,441	11,151	34,592	12.1
<i>Prepayments</i>	3,055	-	3,055	
<i>Accrued revenue</i>	28,741	-	28,741	
<i>Inventories</i>	26,761	-	26,761	
<i>Derivative financial instruments</i>	20	-	20	
<b>Total current assets</b>	<b>86,422</b>	<b>11,151</b>	<b>97,573</b>	
<b>Non-current assets</b>				
<i>Property, plant and equipment, and intangible assets</i>	3,133,521	(108,647)	3,024,874	Note 1., 12.2, 12.4, 12.5
<i>Right-of-use assets</i>	2,142	-	2,142	
<i>Trade and other receivables</i>	112	-	112	
<b>Total non-current assets</b>	<b>3,135,775</b>	<b>(108,647)</b>	<b>3,027,128</b>	
<b>Total assets</b>	<b>3,222,197</b>	<b>(97,496)</b>	<b>3,124,701</b>	
<b>Current liabilities</b>				
<i>Borrowings</i>	(9,583)	-	(9,583)	
<i>Lease liabilities</i>	(421)	-	(421)	
<i>Trade and other payables</i>	(45,486)	-	(45,486)	12.1
<i>Current tax equivalent liabilities</i>	(6,070)	4,838	(1,232)	12.6
<i>Derivative financial instruments</i>	(4,183)	-	(4,183)	
<i>Deferred income</i>	(71,012)	64,979	(6,033)	12.1
<i>Provisions</i>	(30,147)	3,966	(26,181)	12.5
<b>Total current liabilities</b>	<b>(166,902)</b>	<b>73,783</b>	<b>(93,119)</b>	
<b>Non-current liabilities</b>				
<i>Borrowings</i>	(2,014,817)	-	(2,014,817)	
<i>Lease liabilities</i>	(1,700)	-	(1,700)	
<i>Trade and other payables</i>	-	-	-	12.1
<i>Derivative financial instruments</i>	(23,338)	-	(23,338)	
<i>Deferred tax equivalent liabilities</i>	(261,508)	-	(261,508)	
<i>Deferred income</i>	(24,408)	24,408	-	12.1
<i>Provisions</i>	(7,553)	4,377	(3,176)	12.5
<b>Total non-current liabilities</b>	<b>(2,333,324)</b>	<b>28,785</b>	<b>(2,304,539)</b>	
<b>Total liabilities</b>	<b>(2,500,226)</b>	<b>102,568</b>	<b>(2,397,658)</b>	
<b>Net assets</b>	<b>721,971</b>	<b>5,072</b>	<b>727,043</b>	

**Note:**

- 'Property, plant and equipment (PPE), and intangible assets' reported in these statements represents 'PPE, and intangible assets' reported in the statutory financial statements. This is consistent with the accounting policy in notes 13(n) and 13(o) of these statements, i.e. 'PPE, and intangible assets' are recognised and measured in accordance with Australian accounting standards (base accounts) and are not equal to the regulated asset base (RAB).

'PPE, and intangible assets' are regulated unless attributable to unregulated discrete assets only, including mobile plant and vehicles, and stand-alone power systems.

Any regulatory adjustment(s) to 'PPE, and intangible assets' are explained in the 'regulatory adjustments' section within these statements. They do not include capital additions excluded from the RAB in previous financial years.

6. Balance sheet (regulatory financial statement) as at 30 June 2020

Covered Distribution

Description	Base account \$'000	Regulatory adjustment \$'000	Regulatory account \$'000	Support reference #
<b>Current assets</b>				
<i>Cash and cash equivalents</i>	11,500	-	11,500	
<i>Trade and other receivables</i>	72,258	(190)	72,068	12.1
<i>Prepayments</i>	7,373	-	7,373	
<i>Accrued revenue</i>	121,112	-	121,112	
<i>Inventories</i>	47,117	-	47,117	
<i>Derivative financial instruments</i>	51	-	51	
<b>Total current assets</b>	<b>259,411</b>	<b>(190)</b>	<b>259,221</b>	
<b>Non-current assets</b>				
<i>Property, plant and equipment, and intangible assets</i>	8,184,825	(2,451)	8,182,374	Note 1., 12.2, 12.4, 12.5
<i>Right-of-use assets</i>	5,592	-	5,592	
<i>Trade and other receivables</i>	384	-	384	
<b>Total non-current assets</b>	<b>8,190,801</b>	<b>(2,451)</b>	<b>8,188,350</b>	
<b>Total assets</b>	<b>8,450,212</b>	<b>(2,641)</b>	<b>8,447,571</b>	
<b>Current liabilities</b>				
<i>Borrowings</i>	(25,905)	-	(25,905)	
<i>Lease liabilities</i>	(1,099)	-	(1,099)	
<i>Trade and other payables</i>	(117,019)	238	(116,781)	12.1
<i>Current tax equivalent liabilities</i>	(15,855)	17,421	1,566	Note 2., 12.6
<i>Derivative financial instruments</i>	(10,924)	-	(10,924)	
<i>Deferred income</i>	(64,710)	61,309	(3,401)	12.1
<i>Provisions</i>	(57,667)	202	(57,465)	12.5
<b>Total current liabilities</b>	<b>(293,179)</b>	<b>79,170</b>	<b>(214,009)</b>	
<b>Non-current liabilities</b>				
<i>Borrowings</i>	(5,446,784)	-	(5,446,784)	
<i>Lease liabilities</i>	(4,439)	-	(4,439)	
<i>Trade and other payables</i>	(459)	459	-	12.1
<i>Derivative financial instruments</i>	(60,938)	-	(60,938)	
<i>Deferred tax equivalent liabilities</i>	(683,064)	-	(683,064)	
<i>Deferred income</i>	(978)	978	-	12.1
<i>Provisions</i>	(8,620)	1,637	(6,983)	12.5
<b>Total non-current liabilities</b>	<b>(6,205,282)</b>	<b>3,074</b>	<b>(6,202,208)</b>	
<b>Total liabilities</b>	<b>(6,498,461)</b>	<b>82,244</b>	<b>(6,416,217)</b>	
<b>Net assets</b>	<b>1,951,751</b>	<b>79,603</b>	<b>2,031,354</b>	

Notes:

1. 'Property, plant and equipment (PPE), and intangible assets' reported in these statements represents 'PPE, and intangible assets' reported in the statutory financial statements. This is consistent with the accounting policy in notes 13(n) and 13(o) of these statements, i.e. 'PPE, and intangible assets' are recognised and measured in accordance with Australian accounting standards (base accounts) and are not equal to the regulated asset base (RAB).

'PPE, and intangible assets' are regulated unless attributable to unregulated discrete assets only, including mobile plant and vehicles, and stand-alone power systems.

Any regulatory adjustment(s) to 'PPE, and intangible assets' are explained in the 'regulatory adjustments' section within these statements. They do not include capital additions excluded from the RAB in previous financial years.

2 The debit balance in the 'current tax equivalent liabilities' regulatory account is not reported as a current asset because it is not a receivable under the National Taxation Equivalent Remine (NTER) (refer to the accounting policy in note 13(i) for more details).

7. Capital expenditure (disaggregated) for the year ended 30 June 2020

Description	Base account \$'000	Covered Transmission \$'000	Covered Distribution \$'000	System Management (unregulated) \$'000	Unregulated \$'000
Capital additions					
Capacity expansion	34,216	20,044	14,172	-	-
Customer driven	217,897	115,133	102,764	-	-
Gifted network assets	48,044	-	48,044	-	-
Asset replacement	118,679	59,677	59,002	-	-
State Underground Power Project ( SUPP )	28,431	-	28,431	-	-
Metering	35,997	-	35,997	-	-
Wood pole management	145,261	-	145,261	-	-
Reliability driven	6,260	(3,737)	9,997	-	-
Supervisory Control and Data Acquisition ( SCADA ) & communications	47,061	21,873	25,188	-	-
Regulatory compliance	51,733	23,025	28,708	-	-
Information technology	67,851	18,788	49,063	-	-
Business support	56,177	17,118	39,059	-	-
Capitalised interest	3,712	3,712	-	-	-
Mobile plant and vehicles	12,651	-	-	-	12,651
Stand-alone power systems	10,873	-	-	-	10,873
<b>Total capital additions</b>	<b>884,843</b>	<b>275,633</b>	<b>585,686</b>	<b>-</b>	<b>23,524</b>

There are no amounts in respect of excluded transmission and excluded distribution activities.

8. Capital expenditure (regulatory financial statement) for the year ended 30 June 2020

**Covered Transmission**

Description	Base account \$'000	Regulatory adjustment \$'000	Regulatory account \$'000	Support reference #
Growth				
<i>Capacity expansion</i>	20,044	-	20,044	
<i>Customer driven</i>	115,133	-	115,133	
	135,177	-	135,177	
Asset replacement and renewal				
<i>Asset replacement</i>	59,677	-	59,677	
Improvement in service				
<i>Reliability driven</i>	(3,737)	3,807	70	Note 1.
<i>SCADA and communications</i>	21,873	-	21,873	
	18,136	3,807	21,943	
Compliance				
<i>Regulatory compliance</i>	23,025	-	23,025	
Corporate				
<i>Information technology</i>	18,788	-	18,788	
<i>Business support</i>	17,118	555	17,673	12.5
	35,906	555	36,461	
Other				
<i>Capitalised interest</i>	3,712	(3,712)	-	12.2
<b>Total capital additions</b>	<b>275,633</b>	<b>650</b>	<b>276,283</b>	

**Covered Distribution**

Description	Base account \$'000	Regulatory adjustment \$'000	Regulatory account \$'000	Support reference #
Growth				
<i>Capacity expansion</i>	14,172	(612)	13,560	12.4
<i>Customer driven</i>	102,764	-	102,764	
<i>Gifted network assets</i>	48,044	-	48,044	
	164,980	(612)	164,368	
Asset replacement and renewal				
<i>Asset replacement</i>	59,002	-	59,002	
<i>SUPP</i>	28,431	-	28,431	
<i>Metering</i>	35,997	-	35,997	
<i>Wood pole management</i>	145,261	-	145,261	
	268,691	-	268,691	
Improvement in service				
<i>Reliability driven</i>	9,997	(3,807)	6,190	Note 1.
<i>SCADA and communications</i>	25,188	-	25,188	
	35,185	(3,807)	31,378	
Compliance				
<i>Regulatory compliance</i>	28,708	-	28,708	
Corporate				
<i>Information technology</i>	49,063	-	49,063	
<i>Business support</i>	39,059	23	39,082	12.5
	88,122	23	88,145	
<b>Total capital additions</b>	<b>585,686</b>	<b>(4,396)</b>	<b>581,290</b>	

**Note:**

1. This "adjustment" is for the transfer of capital additions between business segments only - being the reversal of the 2018/19 regulatory "adjustment" corrected in the base accounts in 2019/20.



9. Operating expenditure (disaggregated) for the year ended 30 June 2020

Description	Base account \$'000	Covered Transmission \$'000	Covered Distribution \$'000	System Management (unregulated) \$'000	Unregulated \$'000
Directly attributed costs					
<i>Operations</i>	(74,240)	(24,071)	(24,905)	-	(25,264)
<i>Maintenance</i>	(200,769)	(50,948)	(149,821)	-	-
<i>Customer service and billing</i>	(37,105)	-	(36,412)	-	(693)
<i>Corporate</i>	(615)	-	(9)	-	(606)
<i>Other operating expenditure</i>	(193,036)	(8,342)	(177,828)	(2,609)	(4,257)
<b>Total directly attributed costs</b>	<b>(505,765)</b>	<b>(83,361)</b>	<b>(388,975)</b>	<b>(2,609)</b>	<b>(30,820)</b>
Causally allocated costs					
<i>Operations</i>	(16,201)	(4,486)	(11,715)	-	-
<i>Maintenance</i>	-	-	-	-	-
<i>Customer service and billing</i>	-	-	-	-	-
<i>Corporate</i>	(111,129)	(31,946)	(78,688)	-	(495)
<i>Other operating expenditure</i>	-	-	-	-	-
<b>Total causally allocated costs</b>	<b>(127,330)</b>	<b>(36,432)</b>	<b>(90,403)</b>	<b>-</b>	<b>(495)</b>
<b>Total operating expenditure costs</b>	<b>(633,095)</b>	<b>(119,793)</b>	<b>(479,378)</b>	<b>(2,609)</b>	<b>(31,315)</b>

There are no amounts in respect of excluded transmission and excluded distribution activities.

Operating expenditure costs to be excluded from gain sharing mechanism for the year ended 30 June 2020

Description	Base account \$'000	Covered Transmission \$'000	Covered Distribution \$'000	System Management (unregulated) \$'000	Unregulated \$'000
Superannuation for defined benefit schemes	(57)	(18)	(39)	-	-
Non-revenue target services	(19,235)	(4,840)	(14,395)	-	-
<i>Energy Safety Act 2006</i> levy	(4,540)	(1,257)	(3,283)	-	-
Network control services	(8,262)	(7,406)	(856)	-	-
ERA costs under <i>ERA (Electricity Networks Access Funding)</i> <i>Regulations 2012</i>	(1,148)	(318)	(830)	-	-
<b>Total operating expenditure costs to be excluded from gain sharing mechanism</b>	<b>(33,242)</b>	<b>(13,839)</b>	<b>(19,403)</b>	<b>-</b>	<b>-</b>

10. Operating expenditure (regulatory financial statement) for the year ended 30 June 2020

**Covered Transmission**

Description	Base account \$'000	Regulatory adjustment \$'000	Regulatory account \$'000	Support reference #
Operations				
<i>SCADA and communications</i>	(11,824)	-	(11,824)	
<i>Non-revenue target services</i>	(4,840)	-	(4,840)	
<i>Network operations</i>	(11,893)	-	(11,893)	
	(28,557)	-	(28,557)	
Maintenance				
<i>Preventative condition</i>	(10,800)	-	(10,800)	
<i>Preventative routine</i>	(29,085)	-	(29,085)	
<i>Corrective deferred</i>	(9,229)	-	(9,229)	
<i>Corrective emergency</i>	(1,834)	-	(1,834)	
	(50,948)	-	(50,948)	
Corporate				
<i>Business support</i>	(31,946)	(1,115)	(33,061)	12.3
Other operating expenditure				
<i>Non-recurring expenditure</i>	(8,342)	-	(8,342)	
<b>Total operating expenditure costs</b>	<b>(119,793)</b>	<b>(1,115)</b>	<b>(120,908)</b>	

**Covered Distribution**

Description	Base account \$'000	Regulatory adjustment \$'000	Regulatory account \$'000	Support reference #
Operations				
<i>Reliability operations</i>	(2,018)	-	(2,018)	
<i>SCADA and communications</i>	(7,636)	-	(7,636)	
<i>Non-revenue target services</i>	(14,395)	-	(14,395)	
<i>Network operations</i>	(12,571)	-	(12,571)	
	(36,620)	-	(36,620)	
Maintenance				
<i>Preventative condition</i>	(31,552)	-	(31,552)	
<i>Preventative routine</i>	(32,308)	-	(32,308)	
<i>Corrective deferred</i>	(13,310)	-	(13,310)	
<i>Corrective emergency</i>	(72,651)	-	(72,651)	
	(149,821)	-	(149,821)	
Customer service and billing				
<i>Call centre</i>	(4,933)	-	(4,933)	
<i>Metering</i>	(21,637)	-	(21,637)	
<i>Guaranteed service level payments</i>	(3,072)	-	(3,072)	
<i>Distribution quotations</i>	(6,770)	-	(6,770)	
	(36,412)	-	(36,412)	
Corporate				
<i>Business support</i>	(78,697)	(2,910)	(81,607)	12.3
Other operating expenditure				
<i>Non-recurring expenditure</i>	(6,828)	-	(6,828)	
<i>Tariff equalisation contribution</i>	(171,000)	-	(171,000)	
	(177,828)	-	(177,828)	
<b>Total operating expenditure costs</b>	<b>(479,378)</b>	<b>(2,910)</b>	<b>(482,288)</b>	

11. Contributions for the year ended 30 June 2020

**Covered Transmission**

Reason for contributions	Base account \$'000	Regulatory adjustment \$'000	Regulatory account \$'000	Support reference #
<i>Capacity expansion</i>	163	-	163	
<i>Customer driven</i>	57,922	(12,058)	45,864	
<i>Asset replacement</i>	4	-	4	
<i>SCADA and communications</i>	-	(358)	(358)	
<b>Total contributions</b>	<b>58,089</b>	<b>(12,416)</b>	<b>45,673</b>	<b>12.1</b>

**Covered Distribution**

Reason for contributions	Base account \$'000	Regulatory adjustment \$'000	Regulatory account \$'000	Support reference #
<i>Customer driven</i>	91,302	(30,195)	61,107	
<i>Gifted network assets</i>	48,044	-	48,044	
<i>Asset replacement</i>	(1)	-	(1)	
<i>SUPP</i>	36,946	(28,573)	8,373	
<i>Metering</i>	3,173	-	3,173	
<i>Other</i>	(697)	697	-	
<b>Total contributions (including gifted network assets)</b>	<b>178,767</b>	<b>(58,071)</b>	<b>120,696</b>	<b>12.1</b>

## 12. Regulatory adjustments for the year ended 30 June 2020

### Accounting policy adjustments

#### 12.1 Capital contributions (including gifted network assets)

To align Western Power's statutory accounting policy with regulatory accounting policy, i.e. developer and customer capital contributions are recognised in the profit and loss account (regulatory financial statement) when received and not when the developers and/or customers are connected to the network in satisfaction of the performance obligations to which the contributions relate.

Description	Base account \$'000	Covered Transmission \$'000	Covered Distribution \$'000	System Management (unregulated) \$'000	Unregulated \$'000
<b>Capital contributions recognised (statutory)</b>	<b>236,856</b>	<b>58,089</b>	<b>178,767</b>	-	-
<b>Regulatory cash adjustments:</b>					
Net capital contributions deferred to balance sheet					
Opening deferred income (capital contributions)	(233,819)	(112,954)	(120,865)	-	-
Closing deferred income (capital contributions)	151,674	89,387	62,287	-	-
	(82,145)	(23,567)	(58,578)	-	-
Net capital contributions invoiced and now received/(not received)	10,961	11,151	(190)	-	-
Net capital contributions accrued and not refunded/(now refunded)	-	-	-	-	-
Other non-cash capital contribution adjustments	697	-	697	-	-
<b>Total regulatory cash adjustment</b>	<b>(70,487)</b>	<b>(12,416)</b>	<b>(58,071)</b>	-	-
<b>Capital contributions received (regulatory)</b>	<b>166,369</b>	<b>45,673</b>	<b>120,696</b>	-	-

#### 12.2 Borrowing costs

To align Western Power's statutory accounting policy with regulatory accounting policy, i.e. borrowing costs are not capitalised from the profit and loss account (regulatory financial statement) to the balance sheet (regulatory financial statement).

Description	Base account \$'000	Covered Transmission \$'000	Covered Distribution \$'000	System Management (unregulated) \$'000	Unregulated \$'000
<b>Opening capitalised borrowing costs (statutory)</b>	(96,592)	(96,592)	-	-	-
Capitalised borrowing costs in reporting year	(3,712)	(3,712)	-	-	-
<b>Closing capitalised borrowing costs (statutory)</b>	<b>(100,304)</b>	<b>(100,304)</b>	-	-	-

### Accounting disclosure adjustments

#### 12.3 Depreciation: leased assets and unregulated owned fleet

To align Western Power's statutory accounting disclosures with regulatory accounting disclosures, i.e. leased assets and unregulated owned fleet depreciation is disclosed as 'operating expenditure costs' in the profit and loss (regulatory financial statements) and not 'depreciation and amortisation'.

### Regulated asset base (RAB) adjustments

#### 12.4 Capital additions

To align Western Power's statutory capital additions with regulatory capital additions, i.e. statutory capital expenditure that does not meet the new facilities investment test (NFIT) as described in the *Electricity Networks Access Code 2004 (WA)* is not added to the RAB.

Description	Base account \$'000	Covered Transmission \$'000	Covered Distribution \$'000	System Management (unregulated) \$'000	Unregulated \$'000
Non-NFIT capital additions					
To unregulated 'capital additions'	612	-	612	-	-

12. Regulatory adjustments for the year ended 30 June 2020 (continued)

**RAB adjustments (continued)**

**12.5 Capital provisions**

To align Western Power's statutory capital additions with regulatory capital additions, i.e. statutory capital expenditure provided for environmental and rehabilitation costs is not added to the RAB until incurred.

Description	Base account \$'000	Covered Transmission \$'000	Covered Distribution \$'000	System Management (unregulated) \$'000	Unregulated \$'000
<b>Capital provisions - current</b>					
Opening environmental and rehabilitation costs (statutory)	(2,954)	(2,723)	(231)	-	-
Realignment for the reporting period*	-	(1)	1	-	-
<b>Regulatory incurred adjustments:</b>					
Provided for/transferred in the reporting period	(1,942)	(1,947)	5	-	-
Charged in the reporting period	534	511	23	-	-
Reversed in the reporting period	194	194	-	-	-
<b>Net regulatory (provided for)/incurred adjustment</b>	<b>(1,214)</b>	<b>(1,242)</b>	<b>28</b>	-	-
<b>Closing environmental and rehabilitation costs (statutory)</b>	<b>(4,168)</b>	<b>(3,966)</b>	<b>(202)</b>	-	-
<b>Capital provisions - non-current</b>					
Opening environmental and rehabilitation costs (statutory)	(7,806)	(6,167)	(1,639)	-	-
Realignment for the reporting period*	-	(7)	7	-	-
<b>Regulatory incurred adjustments:</b>					
Provided for/transferred in the reporting period	1,792	1,797	(5)	-	-
Charged in the reporting period	-	-	-	-	-
Reversed in the reporting period	-	-	-	-	-
<b>Net regulatory (provided for)/incurred adjustment</b>	<b>1,792</b>	<b>1,797</b>	<b>(5)</b>	-	-
<b>Closing environmental and rehabilitation costs (statutory)</b>	<b>(6,014)</b>	<b>(4,377)</b>	<b>(1,637)</b>	-	-

\* This annual realignment to opening balances reflects the impact of the most recent/accurate causal allocation basis

**Other**

**12.6 Tax equivalent**

The tax equivalent is calculated on regulatory adjustments using the tax rates, that based on laws, have been enacted or substantially enacted as at the reporting date (2019/20: 30 per cent).

### 13. Summary of significant accounting policies

This is a special purpose financial report prepared for the sole purpose of the ERA. The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied, unless otherwise stated.

#### (a) Basis of preparation

These financial statements have been prepared in accordance with Australian accounting standards and other authoritative pronouncements of the AASB (including Australian interpretations), as modified by the ERA's Guidelines, with the exception of the disclosure requirements in the following pronouncements:

- > AASB 101 *Presentation of financial statements*
- > AASB 107 *Statement of cash flows*
- > AASB 7 *Financial instruments: disclosures*
- > AASB 124 *Related party disclosures*

Western Power has been classified as a not-for-profit entity for the purpose of applying accounting standards, and accordingly applies the not-for-profit elections available in the Australian accounting standards (where applicable).

The modifications to the Australian accounting standards as required by the ERA's Guidelines include the following:

- > Contributions for capital projects are recognised as income when received - and are not deferred to the balance sheet as required by AASB 1058 *Income of not-for-profit entities* (refer to regulatory adjustment 12.1)
- > Interest (or like allowance) incurred during construction is expensed - and is not capitalised as permitted by AASB 123 *Borrowing costs* (refer to regulatory adjustment 12.2).

In addition, the ERA's final Access Arrangement 4 decision (September 2018) requires expenditure for environmental and rehabilitation costs to be capitalised (for addition to the regulated asset base) only when incurred - and not when provided for as permitted by AASB 137 *Provisions, contingent liabilities and contingent assets* (refer to regulatory adjustment 12.5).

#### ***New and amended accounting standards adopted***

Western Power has applied the below standards for the first time in the reporting year commencing 1 July 2019:

- > AASB 15 *Revenue from contracts with customers* and AASB 1058 *Income of not-for-profit entities*
- > AASB 16 *Leases*

#### (b) Accrual accounting and historical cost convention

These financial statements are prepared:

- > on the accrual accounting basis except for capital contributions and cash flow information prepared on the cash accounting basis; and
- > in accordance with the historical cost convention except for:
  - derivative financial instruments measured at fair value
  - certain employee benefit liabilities measured at present value, less the fair value of any defined benefit plan assets.

#### (c) Going concern

In accordance with the ERA's Guidelines, these financial statements have been disaggregated from Western Power's audited 2019/20 statutory financial statements - having been prepared on the going concern basis. This is considering Western Power has reasonable grounds to believe it is able to pay its debts as and when they become due and payable, due to the unused portion of the available borrowing facility agreement with the Western Australian Treasury Corporation (WATC) as at 30 June 2020, and the forecast net profit and positive operating cash flows in 2020/21.

In making this assessment, consideration was given to the potential impact of the COVID-19 pandemic on Western Power's operating results. The current indications are the demand for, and receipts from network tariff services, being the most sizable revenue source for Western Power have not been materially impacted - hence there is no expectation of a significant decline in revenue. In support of this, as at 30 June 2020 there were minimal applications by qualifying market participants for temporary deferral of network access payments under Western Power's 'COVID-19 customer support scheme'.

#### (d) Critical accounting and historical cost convention

The preparation of financial statements in conformity with Australian accounting standards requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of income, expenses, assets and liabilities. Actual results may differ from these estimates.

Estimates, judgements and underlying assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on Western Power and that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the reporting year in which the estimate is revised and any future reporting years affected.

The areas where estimates and assumptions are significant to the financial statements, or a higher degree of judgement or complexity is involved are below and described in more detail in the related notes:

Critical accounting estimates and judgments	Note
Unbilled network tariff revenue	13(h)
Impaired trade receivables	13(k)
Fair values of derivative financial instruments	13(m)
Present value of lease liabilities	13(p) and 13(r)
Present value of employee benefit liabilities	13(t)

### 13. Summary of significant accounting policies (continued)

#### (e) Rounding

All financial information presented in Australian dollars has been rounded off to the nearest thousand (\$'000), unless otherwise stated.

#### (f) Cost allocations

Costs that cannot be directly attributable to a business segment are allocated in accordance with the Western Power cost and revenue allocation method.

#### (g) Foreign currency translation

##### **Presentation and functional currency**

This financial report is presented in Australian dollars, being the functional currency of Western Power.

##### **Transactions and balances**

Transactions in currencies other than the functional currency of Western Power are translated into Australian dollars using the exchange rates at the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at closing exchange rates. Non-monetary items measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

All foreign currency translation differences are recognised on a net basis in 'operating expenditure costs' in profit or loss, except:

- > when deferred in equity for translation differences of qualifying cash flow hedges, to the extent the hedge is effective
- > when the translation differences deferred to equity for qualifying cash flow hedges are transferred to the carrying value of non-financial assets.

#### (h) Revenue and income recognition

Western Power recognises revenue when the performance obligation to which it relates is satisfied. This is either at the point the service is provided - being when control of the service is transferred to the customer, or over time where control of the service is progressively transferred to the customer. It is measured at the fair value of the consideration received or receivable, being the invoiced amount including interest on overdue amounts, net of the amount of goods and services tax. Revenue also includes an estimate for the value of unbilled network tariff services.

##### **Network services revenue**

###### *Regulated tariff services:*

Western Power primarily receives revenue from the rendering of network tariff services. These services largely relate to the transmission and distribution of electricity and are regulated by the Western Australian ERA via an access arrangement agreement.

Where Western Power progressively transfers control of these services to the customer - being for on-going access to the network, the revenue is recognised over time. All other network tariff revenue is recognised when the service is provided - being at the point the network is used. The consideration invoiced for network tariff services is based on observable stand-alone prices, being mostly fixed access and usage tariffs approved by the ERA and published in Western Power's annual price list.

For network access revenue recognised over time, the output method is used, with revenue measured at the amount Western Power is entitled to invoice the customer. This is because the invoiced amount charged at fixed daily access tariffs, is deemed to correspond directly with the value to the customer of Western Power's performance obligation completed to date.

As at each reporting date, network tariff revenue and trade receivables include amounts attributable to 'unbilled network tariff revenue' (30 June 2020: \$149.853 million). Unbilled network tariff revenue is an estimate of electricity transported to customers not yet invoiced at the reporting date. It comprises read and unread (for periodical readings) metered services, with the latter estimated using projected revenue consumption at observable stand-alone prices (fixed tariffs). In estimating this revenue, the projection revenue consumption model applies complex methodologies and algorithms based on assumptions and inputs such as customer billing profiles, historical and budget data, and seasonal, growth and emerging technology factors.

###### *Other services (regulated and unregulated):*

Western Power also receives revenue from the rendering of other network services, including:

- > regulated non-standard access services where the customer is willing to accept different conditions to the standard access contract and service standard benchmark. The tariffs for these services are negotiated between Western Power and the individual customers but must be set with regard to the regulated network tariffs.
- > regulated services that can only be offered by Western Power but which are not core to the transmission and distribution of electricity. Where these are commonly requested services, the fees and charges are set in-line with a charging criteria and published on Western Power's web-site. For other complex or non-standard services, Western Power negotiates commercially with the individual customers.
- > unregulated services contestable by other suppliers including the sales of materials. The fees and charges for these services are in-line with the methodology disclosed directly above for 'other regulated services'.

The revenue for other network services is recognised when the service is provided to the customer. The consideration invoiced for these services is based on observable stand-alone prices, being fixed at published or contracted fees and charges.

### 13. Summary of significant accounting policies (continued)

#### (h) Revenue and income recognition (continued)

##### *Developer and customer contributions*

Western Power receives developer and customer contributions toward the extension or augmentation of electricity infrastructure to facilitate network connection. Contributions can be in the form of either cash contributions or gifted network assets.

Cash contributions are recognised when received or refunded. They are charged using the methodology included in Western Power's published 'contributions policy' approved by the ERA as part of the access arrangement agreement.

Gifted network assets are recognised as revenue at the point the assets are energised being in satisfaction of the performance obligation to connect the developer or customer to the network, and are measured at their fair value.

The network assets resulting from contributions received or gifted are recognised as property, plant and equipment and depreciated over their estimated useful life.

##### *Other income*

Western Power receives other income from the provision of services incidental to the core activities of the business. Other income is recognised when the service is provided.

#### (i) Income tax equivalent

##### *National taxation equivalent regime*

Western Power operates under the National Taxation Equivalent Regime (NTER). While income tax equivalent payments under this scheme are remitted to the Western Australian State Government, Western Power's tax equivalent is subject to Australian Taxation Office (ATO) administration. The calculation of the liability in respect of these taxes is governed by the Income Tax Administration Acts and the NTER guidelines as agreed by the State Government.

##### *Current tax equivalent*

The income tax equivalent expense for a reporting year comprises current and deferred tax equivalents. The expense is recognised in profit or loss, except to the extent it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is recognised in other comprehensive income or directly in equity, respectively.

Current tax equivalent is the expected tax equivalent payable or receivable on the taxable income or loss for the reporting year, using tax rates enacted or substantially enacted as at the reporting date, and any adjustment to the tax equivalent in respect of previous years.

##### *Deferred tax equivalent*

Deferred tax equivalent is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax equivalent is measured at the tax rates that are expected to be applied when the asset is realised or the liability is settled, based on the laws that have been enacted or substantially enacted as at the reporting date.

A deferred tax equivalent asset is recognised only to the extent it is probable future taxable profits will be available against which the asset can be utilised. Deferred tax equivalent assets are reviewed at the end of each reporting year and are reduced to the extent it is no longer probable the related tax equivalent benefit will be realised. Unrecognised deferred tax equivalent assets are reassessed at each reporting date and are recognised to the extent it has become probable future taxable profits will allow the deferred tax equivalent asset to be recovered.

Deferred tax equivalent assets and liabilities are offset when there is a legally enforceable right to offset current tax equivalent assets and liabilities, and when the deferred tax equivalent balances relate to the same taxation authority.

#### (j) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank, deposits held at call with financial institutions and other short-term deposits that have an original maturity of three months or less that are readily convertible to known amounts of cash. As at 30 June 2020, Western Power did not have any short-term deposits.

For the purpose of the cash flow statement, cash and cash equivalents consist of cash and deposits as defined above, net of outstanding bank overdrafts. As at 30 June 2020, Western Power did not have a bank overdraft.

#### (k) Trade and other receivables

Trade receivables represent amounts due from customers for services provided or goods sold in the ordinary course of business. They are usually settled on 14 or 30 day payment terms, unless contractually agreed otherwise. Other receivables generally arise from transactions outside the usual operating activities of the business.

Trade and other receivables are initially recognised at fair value, being the value of the invoice sent to the customer, and subsequently measured at amortised cost less an allowance for impairment. The estimate for the value of unbilled network tariff revenue is included in 'accrued revenue' in the balance sheet.

Trade and other receivables are classified as current assets unless collection is not expected for more than 12 months after the reporting date. Where payments are due after one year, they are measured at their net present value to reflect the economic cost of the delayed payment.



### 13. Summary of significant accounting policies (continued)

#### (k) Trade and other receivables (continued)

##### **Impairment**

An impairment allowance is recognised for the expected credit losses (**ECLs**) on trade receivables. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all cash flows expected to be received, discounted at the original effective interest rate. Cash flows relating to short term receivables are not discounted if the effect of discounting would be immaterial.

Western Power applies the simplified approach in calculating ECLs, being an impairment allowance is recognised for credit losses expected to result from all possible default events over the lifetime of the trade receivable. This is estimated using a provision matrix based on Western Power's historical credit loss experience, adjusted for forward-looking factors specific to the receivables and economic environment. Western Power has identified the Western Australian 'gross state product' to be the most relevant macroeconomic factor, and accordingly adjusts the historical credit loss rates based on the expected changes in this factor.

For the year ended 30 June 2020, the changes in the Western Australian 'gross state product' reflected estimates for the potential impact of the COVID-19 pandemic on current and future economic conditions. This did not result in a material change to Western Power's allowance for impairment of trade receivables.

Amounts impaired are recognised in profit or loss. They are generally written off when there is no expectation of recovery. Indicators of this include failure of a debtor to engage in a repayment plan and/or if past due for a significant period. Any subsequent recoveries of amounts written off are credited to profit or loss.

#### (l) Inventories

Inventories consist of materials required for the maintenance and operation of the network, as well as for general construction works. They are valued at the lower of cost and net realisable value. The cost of inventories is based on the weighted average cost principle, and includes expenditure incurred in acquiring inventories and bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated completion and selling costs.

#### (m) Derivative and hedging activities

##### **Derivative financial instruments**

Derivative financial instruments are used to hedge economic exposures to movements in interest and foreign exchange rates. Western Power uses derivative financial instruments in accordance with Board approved policy. Under this policy the critical terms of the hedging instruments must align with the hedged items. Speculative trading where a derivative is entered into without an underlying economic exposure is strictly prohibited. All derivative activities are carried out by a specialist group within Western Power that has the appropriate skills, experience and supervision.

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. Derivative financial instruments are presented as assets when the fair value is positive and as liabilities when the fair value is negative.

##### **Hedge accounting**

For the purpose of hedge accounting, hedges are classified as:

- > Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or a firm commitment
- > Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability, or a highly probable forecast transaction

At inception of the hedge relationship, Western Power documents the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. Western Power documents the risk management objective and strategy for undertaking the hedge transactions.

##### **Fair value hedges:**

For all derivative transactions designated as a fair value hedge, the portion of gain or loss on the hedging instrument is recognised in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. There is no impact in other comprehensive income or the hedging reserve. Western Power has not accounted for any derivative financial instruments that qualified for hedge accounting as fair value hedges in the current reporting year.

##### **Cash flow hedges:**

For all derivative transactions designated as a cash flow hedge, the portion of gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and accumulated in the hedging reserve. The ineffective portion is recognised in profit or loss immediately.

When the cash flows occur, the amount that has been deferred to equity is re-classified in the same reporting year as the hedged item affects the profit or loss. This is as follows:

- > Where the hedged item subsequently results in the recognition of a non-financial asset (such as property, plant and equipment), the amount deferred to equity for the effective portion of a forward exchange contract is transferred to the carrying value of the asset. Where there is no recognition of a non-financial asset, the effective portion is re-classified to profit or loss in the same reporting year as the hedged item affects the profit or loss.
- > The amount deferred to equity for the effective portion of an interest rate swap or forward domestic borrowing commitment hedging a floating rate borrowing is recognised in 'borrowing costs' in profit or loss, in the same reporting year as the interest expense on the hedged loan.

### 13. Summary of significant accounting policies (continued)

#### (m) Derivative and hedging activities (continued)

##### **Hedge accounting (continued)**

When a hedging instrument expires, is sold or is terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity, and is recognised when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately re-classified to profit or loss.

##### **Hedge ineffectiveness**

Hedge ineffectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure an economic relationship exists between the hedged item and hedging instrument. Hedge ineffectiveness can occur due to:

- > changes in the forecast timing of the cash flow transaction
- > differences in the critical terms between the hedging instrument and the hedged item
- > changes in the credit risk of Australia or the derivative counterparty.

##### **Interest rate swaps and forward domestic borrowing commitments**

Western Power enters into interest rate swaps and forward domestic borrowing commitments that have the same critical terms as the hedged item, including the notional amount, interest rates, payment dates and maturities. Western Power does not hedge all borrowings, therefore the hedged item is identified as a proportion of the outstanding borrowings up to the notional amount of the hedging instrument.

##### **Forward exchange contracts**

Western Power enters into forward exchange contracts that have the same critical terms as the hedged item, including the transaction amount, foreign exchange rates and payment dates.

During the year ended 30 June 2020, Western Power assessed no hedge ineffectiveness. This is because all critical terms matched, ensuring the economic relationships existed between the hedged items and hedging instruments.

##### **Derivatives that do not qualify for hedge accounting**

For all derivative transactions that do not qualify for hedge accounting, any changes in fair value are recognised immediately in profit or loss. During the year ended 30 June 2020, all Western Power's derivative transactions qualified for hedge accounting.

##### **Derecognition**

Derivative financial instruments are derecognised when Western Power no longer controls the contractual rights that comprise the financial instrument. During the year ended 30 June 2020, Western Power did not derecognise any derivative financial instruments.

#### (n) Property, plant and equipment

##### **Cost**

Property, plant and equipment represents the capital works and plant required for the operation of the business, and is recognised at historical cost less accumulated depreciation in accordance with *AASB 116 Property, plant and equipment*. Property, plant and equipment is not equal to the regulated asset base. Historical cost is determined as the fair value of the asset at the date of acquisition or construction, and includes all expenditure directly attributable to the acquisition or construction of the asset. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

The cost of self-constructed assets includes the cost of materials and labour, and any other costs, directly attributable to bringing the asset to a working condition for its intended use. Gifted network assets are recognised at fair value at the point the assets are energised.

Subsequent costs are included in property, plant and equipment only when it is probable the item associated with the cost will generate future economic benefits and the cost can be measured reliably. The carrying amounts of items replaced are derecognised. All other repairs and maintenance, plus minor capital assets less than \$5,000, are expensed to profit or loss in the reporting years in which they are incurred.

##### **Depreciation**

In order to recognise the loss of service potential of property, plant and equipment, depreciation is calculated using the straight-line method over the estimated useful lives below, making allowances where appropriate for residual values.

Categories of property, plant and equipment	Estimated useful life (years)
Substations, transformers, poles and cables	45 - 50
Buildings	40
Land improvements and infrastructure	25
Meters, streetlights	20 - 25
Stand-alone power systems	10 - 20
Pole reinforcements, advance meters	15
Furniture and fittings, refurbishments, other plant and equipment	10
Communications	7 - 10
Fleet	5 - 10
Computer hardware	4
Leasehold improvements	Lease life

### 13. Summary of significant accounting policies (continued)

#### (n) Property, plant and equipment (continued)

##### **Depreciation (continued)**

Property, plant and equipment received on disaggregation of Western Power Corporation is depreciated over the estimated residual useful lives. No depreciation is provided on freehold land, easements and assets in the course of construction.

The residual value, estimated useful lives and depreciation methods of property, plant and equipment are reviewed annually, and adjusted as appropriate at the end of each reporting year, with any changes recognised as a change in accounting estimate. As at 30 June 2020, Western Power did not recognise any changes in depreciation estimates.

##### **Rehabilitation costs**

Upon recognition of an item of property, plant and equipment, the cost of the item includes the present value of the anticipated costs of rehabilitating the site on which it is located. This cost is derecognised for the purposes of the regulated asset base, until incurred.

##### **Derecognition**

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The proceeds and carrying amount on disposal are recognised in profit or loss.

#### (o) Intangible assets

##### **Cost**

Intangible assets represent identifiable capitalised software costs and intellectual property, and are recognised at historical cost less accumulated amortisation in accordance with *AASB 138 Intangible assets*. Intangible assets are not equal to the regulated asset base. Subsequent costs are included in intangible assets only when it is probable the item associated with the cost will generate future economic benefits and the cost can be measured reliably.

Internally generated intangible assets are recognised only if an asset is created that can be identified; it is probable the asset created will generate future economic benefits; and the development cost of the asset can be measured reliably. Where no internally generated asset can be recognised the development expenditure is expensed to profit or loss.

##### **Amortisation**

In order to recognise the loss of service potential of intangible assets, amortisation is calculated using the straight-line method over the estimated useful lives below, making allowances where appropriate for residual values.

Categories of intangible assets	Estimated useful life (years)
Intellectual property	3 - 25
Software (major developments/enhancements)	5 - 10
Software (minor purchases/enhancements)	2.5

Intangible assets received on disaggregation of Western Power Corporation are amortised over their estimated residual useful lives.

The residual value, estimated useful lives and amortisation methods of intangible assets are reviewed annually, and adjusted as appropriate at the end of each reporting year, with any changes recognised as a change in accounting estimate. As at 30 June 2020, Western Power did not recognise any changes in amortisation estimates.

##### **Derecognition**

An intangible asset is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The proceeds and carrying amount on disposal are recognised in profit or loss.

#### (p) Right-of-use assets

##### **Cost**

Right-of-use assets represent leased fleet and other equipment (including properties and information technology) required for the operation of the business. They are recognised at historical cost less accumulated depreciation and any accumulated impairment losses, adjusted for lease liability re-measurements. Historical cost is measured at the amount of the initial lease liability plus any:

- > lease payments made at, or before the commencement date less any lease incentives received
- > initial direct costs
- > restoration costs including dismantling and removing the underlying asset.

##### **Depreciation**

In order to recognise the loss of service potential, right-of-use assets are generally depreciated on a straight-line basis over the shorter of the asset's estimated useful life and the lease term.

Where Western Power is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

### 13. Summary of significant accounting policies (continued)

#### (q) Borrowings

Borrowings are initially recognised at fair value net of transaction costs incurred and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless Western Power has an agreement with the lender that allows refinancing of the liability for at least 12 months after the reporting date. This includes where a forward domestic borrowing commitment exists that replaces the existing borrowing on the date of maturity, and where this extends the maturity of the original borrowing to greater than 12 months after the reporting date.

#### **Forward domestic borrowing commitments**

Western Power enters into forward domestic borrowing commitments with the WATC where it agrees to borrow specified amounts in the future at pre-determined interest rates. These borrowings are entered into in order to mitigate refinancing risk and to hedge against interest rate exposures arising from future borrowing obligations with floating rates. They are recognised as derivative financial instruments in the period between entering into the forward domestic borrowing agreement and draw down of the loan principal. Once the loan is drawn down, the principal is accounted for at fair value like any other borrowing. Any fair value gain or loss relating to the effective portion of the forward is recognised in the hedging reserve and re-classified to profit or loss over the term of the loan.

#### **Borrowing costs**

Borrowing costs are expensed when incurred.

#### (r) Lease liabilities

Western Power leases fleet and other equipment (including properties and information technology) required for the operation of the business. The lease contracts are negotiated on an individual basis and contain a wide range of different terms and conditions. Where the contracts contain both lease and associated non-lease components, Western Power elects not to separate and instead accounts for as single lease components.

At the commencement of a lease, the lease liability is measured at the present value of outstanding payments. These payments include:

- > fixed lease payments (including in-substance fixed payments) less any lease incentives receivables
- > variable lease payments based on an index or a rate, initially measured using the index or rate as at the lease commencement date
- > amounts expected to be payable under residual value guarantees
- > payments under extension options if it is reasonably certain the extension will be exercised
- > the exercise price of a purchase option if it is reasonably certain the option will be exercised
- > payments of penalties for terminating the lease, if the lease term reflects exercising that option.

Lease payments are discounted using the interest rate implicit in the lease. Where this rate is not readily determined an incremental borrowing rate is used. Western Power's incremental borrowing rate is provided by the WATC, being the provider of Western Power's borrowings.

Lease payments are allocated between principal and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

#### **Variable lease payments**

Variable lease payments can be exposed to potential future increases based on an index or rate. Any increases are not included in the lease liability until they take effect, at which point they are adjusted against the right-of-use asset.

#### **Extension and termination options**

Leases can include extension and termination options. This is to maximise operational and asset management flexibility. Periods covered by these options are only included in the lease term if the lease is reasonably certain to be extended or not terminated.

#### **Other lease costs**

The following lease costs are recognised as 'operating expenditure costs' in profit or loss on a straight-line basis over the period of the lease:

- > expenses relating to short-term leases
- > expenses relating to leases of low-value assets
- > other expenses not captured as lease liabilities under *AASB 16 Leases* - including variable and termination lease payments.

Short-term leases are leases with a lease term of 12 months or less. Low-value leases are for assets individually valued at less than \$5,000.

#### (s) Trade and other payables

Trade and other payables represent liabilities for goods and services provided to Western Power prior to the end of the reporting year which are unpaid. They are usually settled between 30 and 45 days of recognition.

Trade and other payables are initially recognised at fair value and subsequently measured at amortised cost. Trade and other payables are classified as current liabilities unless payment is not due for at least 12 months after the reporting date.

#### (t) Provisions

Provisions are recognised when Western Power has either a present legal or constructive obligation as a result of past events; it is probable an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation as at the reporting date. The discount rate used to determine the present value reflects the market assessments of the time value of money and the risks specific to the liability. The movement in the provision due to the passage of time is recognised as a borrowing cost.

### 13. Summary of significant accounting policies (continued)

#### (t) Provisions

##### **Employee benefits**

Provisions for the below employee benefit liabilities are recognised as a result of services rendered up to the reporting date.

##### *Wages and salaries:*

Liabilities arising in respect of employee benefits that are expected to be settled wholly within 12 months of the reporting date are measured at their nominal amount based on remuneration rates that are expected to be paid when the liabilities are settled. The liability for wages and salaries is recognised in 'trade and other payables'. The liability for all other short-term employee benefits is recognised in 'provisions'.

##### *Annual and long service leave:*

The liabilities arising in respect of annual and long service leave are not expected to be settled wholly within 12 months of the reporting date. They are recognised in 'provisions' and measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to factors including the expected future wages and salaries levels, experience of employee departures and periods of services. Expected future payments are discounted using the Commonwealth bond rates whose terms most closely match the terms of the related liabilities. Independent actuarial valuations are carried out at each reporting date. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

Leave obligations are presented as current liabilities in the balance sheet where there is no unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when actual settlement is expected to occur.

##### *Retirement benefit obligations:*

All employees of Western Power are entitled to benefits upon retirement, disability or death from any number of superannuation plans, which may include a defined contribution section, a defined benefit section, or both.

##### Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which Western Power pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Contributions to defined contribution plans are recognised as an expense in the reporting years in which the services are rendered by employees.

##### Defined benefit plans

A defined benefit plan is a post-employment benefit other than a defined contribution plan. A liability or asset in respect of defined benefit superannuation plans is recognised in the balance sheet, and is measured separately for each plan as the present value of the defined benefit obligation in respect of services provided by employees up to the reporting date, less the fair value of any plan assets at that date.

The present value of defined benefit superannuation plans is based upon expected future payments and is calculated using discounted cash flows consistent with the projected unit credit method. Consideration is given to factors including the expected future wages and salaries level, experience of employee departures and periods of service. Expected future payments are discounted using the Commonwealth bond rates whose terms most closely match the terms of the related liabilities. An independent actuarial valuation is carried out at each reporting date.

The annual net defined benefit interest expense and/or income is determined by applying the discount rate used to measure the defined benefit obligation at the beginning of the reporting year to the net defined benefit liability and/or asset. It is recognised immediately along with all other defined benefit plan expenses including past services costs in 'operating expenditure costs' in profit or loss.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions (including changes in the bond rate) are recognised in the reporting years in which they occur, directly in other comprehensive income. They are included in equity in the balance sheet.

Changes in the present value of defined benefit obligations resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service costs.

##### **Rehabilitation costs**

A provision for site rehabilitation costs is recognised when there is either a legal or constructive obligation to rehabilitate a site as a result of a past event; it is probable a rehabilitation expense will be incurred to settle the obligation; and the obligation costs can be reliably estimated.

The amount of the provision for future rehabilitation costs is capitalised into the cost of the related property, plant and equipment, and depreciated over the estimated useful life. This cost is derecognised for the purposes of the regulated asset base, until incurred.

Rehabilitation costs that relate to an existing condition caused by past operations, but that do not have a future economic benefit are expensed to profit or loss.

#### (u) Dividends

Dividends are provided for in the reporting year in which the dividends recommended by the Board are accepted by the Minister for Energy, with the concurrence of the Treasurer of Western Australia. A corresponding amount is recognised directly in equity.

#### (v) Goods & services tax (GST)

Income, expenses and assets are recognised net of the amount of associated GST, except when the GST incurred is not recoverable from the taxation authority. In this case, the GST is recognised as part of the cost acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included in other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

## Directors' declaration

This is a special purpose financial report prepared for the sole purpose of the Economic Regulation Authority in accordance with the *Guidelines for Access Arrangement Information* (December 2010) (**Guidelines**).

In the directors' opinion:

- (a) The regulatory financial statements and summary of significant accounting policies have been prepared in accordance with the Guidelines, and comply with Australian accounting standards and other authoritative pronouncements (where applicable)
- (b) The regulatory financial statements present, in all material aspects, a true and fair view of the financial position of Western Power against the audited 2019/20 statutory financial statements (base accounts) authorised for issue in accordance with a resolution of the directors on 25 August 2020

This declaration is made in accordance with a resolution of the directors.



**C Beckett AO**  
*Board Chair*



**G Martin**  
*Deputy Board Chair*

17 November 2020



Our Ref: 5563-07

Board Chair  
Electricity Networks Corporation  
363 Wellington Street  
PERTH WA 6000

7th Floor, Albert Facey House  
469 Wellington Street, Perth

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Dear Sir

**AGREED UPON PROCEDURES ENGAGEMENT ON WESTERN POWER'S  
REGULATORY FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

Attached is the report on agreed upon procedures for the regulatory financial statements for the year ending 30 June 2020, prepared for submission to the Economic Regulation Authority.

I would like to take this opportunity to thank you, the management and the staff of your Corporation for their cooperation with the audit team.

Feel free to contact me on 6557 7644 if you would like to discuss these matters further.

Yours faithfully

PATRICK ARULSINGHAM  
ACTING ASSISTANT AUDITOR GENERAL  
TECHNICAL AND AUDIT SUPPORT  
17 March 2021

Attach



## Auditor General

### REPORT OF FACTUAL FINDINGS

#### To the Electricity Networks Corporation trading as Western Power

I have performed the procedures agreed with the Electricity Networks Corporation trading as Western Power to report factual findings on Western Power's special purpose Regulatory Financial Statements (RFS) for the financial year ended 30 June 2020. The procedures have been designed to meet the needs of Western Power and the Economic Regulation Authority (ERA) in accordance with the ERA's *Guidelines for Access Arrangement Information December 2010* (ERA Guidelines). The procedures performed are detailed in the terms of the engagement letter dated 18 March 2020 and described in Appendix A with respect to the RFS.

#### **Western Power's responsibility for the procedures agreed**

Western Power is responsible for the adequacy or otherwise of the procedures agreed to be performed by the Office of the Auditor General (OAG). Western Power and the ERA are responsible for determining whether the factual findings provided by the OAG, in combination with any other information obtained, provide a reasonable basis for any conclusions which Western Power or the ERA wish to draw on the subject matter.

#### **Assurance practitioner's responsibility**

My responsibility is to report factual findings obtained from conducting the procedures agreed. I conducted the engagement in accordance with the Standard on Related Services ASRS 4400 *Agreed-Upon Procedures Engagements to Report Factual Findings*. I have complied with the independence requirements of the *Auditor General Act 2006* and ethical requirements equivalent to those applicable to Other Assurance Engagements, including independence.

Because the agreed-upon procedures do not constitute either a reasonable or limited assurance engagement in accordance with Australian auditing standards, I do not express any conclusion and provide no assurance on the RFS. Had the OAG performed additional procedures, or had the OAG performed an audit or a review of the RFS in accordance with Australian auditing standards, other matters might have come to our attention that would have been reported to you.

#### **Restriction on Use of Reports**

This report is intended solely for the use of Western Power and ERA for the purpose set out above. As the intended user of my report, it is for Western Power and ERA to assess both the procedures and my factual findings to determine whether they provide, in combination with any other information obtained, a reasonable basis for any conclusions which Western Power and ERA wish to draw on the subject matter. As required by ASRS 4400, use of this report is restricted to those parties that have agreed the procedures to be performed with the OAG and other intended users identified in the terms of the engagement (since others, unaware of the reasons for the procedures, may misinterpret the results). Accordingly, I expressly disclaim and do not accept any responsibility for any reliance on this report to any person other than the intended users, or for any other purpose than that for which it was prepared.

PATRICK ARULSINGHAM  
ACTING ASSISTANT AUDITOR GENERAL  
TECHNICAL AND AUDIT SUPPORT  
Delegate of the Auditor General for Western Australia  
Perth, Western Australia  
17 March 2021



**ELECTRICITY NETWORKS CORPORATION TRADING AS WESTERN POWER  
REGULATORY FINANCIAL STATEMENTS (RFS) – 30 JUNE 2020  
REPORT OF FACTUAL FINDINGS**

Agree the RFS base account amounts to Western Power's 30 June 2020 statutory financial statements for:

- a) Total income, total expenses and profit/(loss) after taxation equivalent (except where not prescribed by the Guidelines. For example, proceeds from and book value of disposed assets).
- b) Net operating cash flows, net investing cash flows, net financing cash flows and net increase/(decrease) in cash and cash equivalents.
- c) Total assets, total liabilities, net assets and total equity.

**Factual findings**

We found the RFS base account amounts agree with the 30 June 2020 statutory financial statements.

**Testing details**

We agreed the base account amounts for each of the following categories:

Category	Agreed without exception
Total income	Yes
Total expenses	Yes
Profit/(loss) after taxation equivalent	Yes
Net operating cash flows	Yes
Net investing cash flows	Yes
Net financing cash flows	Yes
Net increase/(decrease) in cash and cash equivalents	Yes
Total assets	Yes
Total liabilities	Yes
Net assets	Yes
Total equity	Yes

**ELECTRICITY NETWORKS CORPORATION TRADING AS WESTERN POWER  
REGULATORY FINANCIAL STATEMENTS (RFS) – 30 JUNE 2020  
REPORT OF FACTUAL FINDINGS**

**PROCEDURE 1**

Agree the allocations of income in the RFS profit and loss account to Western Power's 30 June 2020 Cost and Revenue Allocation Method (**CRAM**) by business segment. The income categories are comprised of network services (revenue target; non-revenue target; other), contributions (excluding gifted network assets), gifted network assets, proceeds from disposal of assets and other income.

**Factual findings**

We found the RFS allocations agree with the CRAM.

**Testing details**

We selected a sample and agreed the RFS income allocations were in accordance with the CRAM. In particular, we considered:

1. Section 6.3 of the CRAM, which stipulates Western Power's account code structure.
2. Appendix C of the CRAM, which stipulates the revenue allocation method.
3. The RFS income categories are comprised of a number of general ledger accounts, which are further segregated into sub-ledgers.

We selected for testing a sample of income transactions from the sub-ledger level. For those transactions allocated on the 'direct' basis, we assessed whether their account coding is consistent with the CRAM. For those transactions allocated on the 'indirect' basis, we discussed with management or reviewed documentation to ascertain the nature of the income item and consequently the rationale for the transaction's business segment allocation.

The sample selected and reviewed is documented in the following table:

Income category and amount disclosed in the RFS	Chart of accounts description and account code	Sample amount \$	RFS business segment	Type of allocation	Agreed allocation to CRAM
Network service (revenue target) \$1,523,400,000	Network service (revenue target) 118012733000	129,139,078	Distribution	Direct	Yes
Network service (non-revenue target) \$18,383,000	Open Access Application Fees 533012772000	457,918	Transmission	Direct	Yes
Network service (other) \$56,094,000	Revenue Tax Recovery on Cap Contributions 601411112000	1,951,828	Transmission	Direct	Yes
Contributions (excluding gifted network assets) \$188,812,000	Capital Contributions – Distribution 602530213000	9,997,146	Distribution	Direct	Yes
Gifted network assets \$48,044,000	Gifted Assets 602530563000	6,302,889	Distribution	Direct	Yes
Proceeds from disposal of assets \$12,355,000	Proceeds from disposals of assets Zone Sub	3,439,338	Transmission	Direct	Yes
Other income \$1,058,000	Rent 173111201000	230,763	Unregulated	Direct	Yes

**ELECTRICITY NETWORKS CORPORATION TRADING AS WESTERN POWER  
REGULATORY FINANCIAL STATEMENTS (RFS) – 30 JUNE 2020  
REPORT OF FACTUAL FINDINGS**

**PROCEDURE 2**

Agree the allocations of operating expenditure in the RFS profit and loss account to the CRAM by business segment and regulatory category. The operating expenditure categories are comprised of operations, maintenance, customer service and billing, corporate and other operating expenditure.

**Factual findings**

We found the RFS allocations to agree with the CRAM.

**Testing details**

We selected a sample and agreed the RFS operating expenditure allocations were in accordance with the CRAM. In particular, we considered:

1. Section 6.3 of the CRAM, which stipulates Western Power's account code structure.
2. Appendix A of the CRAM, which stipulates the cost allocation method.
3. The RFS cost categories are comprised of a number of general ledger accounts, which are further segregated into sub-ledgers.

We selected for testing a sample of cost transactions from the sub-ledger level. For those transactions allocated on the 'direct' basis, we assessed whether their account coding is consistent with the CRAM. For those transactions allocated on the 'indirect' basis, we have discussed with management or reviewed documentation to ascertain the nature of the cost item and consequently the rationale for the transaction's business segment allocation.

The sample selected and reviewed is documented in the following table:

Expenditure category and amount disclosed in the RFS	Chart of accounts description and account code	Sample amount \$	RFS business segment	Type of allocation	Agreed allocation to CRAM
Operations \$90,441,000	Material sales 633010001000	2,176,275	Unregulated	Direct	Yes
Maintenance \$200,769,000	Preventative Routine 602620553000	1,770,369	Distribution	Direct	Yes
Customer service and billing \$37,105,000	Guaranteed service level payments 602520483000	684,720	Distribution	Direct	Yes
Corporate \$111,744,000	Asset Operations 965771422000	463,443	Transmission	Indirect (PPE)	Yes
Other operating expenditure \$193,036,000	Network planning costs 602552223000	516,423	Distribution	Direct	Yes

**ELECTRICITY NETWORKS CORPORATION TRADING AS WESTERN POWER  
REGULATORY FINANCIAL STATEMENTS (RFS) – 30 JUNE 2020  
REPORT OF FACTUAL FINDINGS**

**PROCEDURE 3**

Agree the allocations of “Other Expenditure” in the RFS profit and loss account to the CRAM by business segment. The “Other Expenditure” categories are comprised of depreciation and amortisation, bad debts, borrowing costs, book value on disposal of assets and taxation equivalent.

**Factual findings**

We found the RFS allocations agree with the CRAM.

**Testing details**

We selected a sample and agreed the RFS allocations were in accordance with the CRAM. In particular, we considered the following allocations stipulated in Table A.6: Other expenditure allocation of Appendix A of the CRAM.

We have reviewed the allocation methodology applied for each of the “Other Expenditure” categories and found the allocation methodology is applied consistently with the CRAM. The procedures we applied included:

- a) Review of management allocation work papers.
- b) Checked the allocation calculation for those categories that were based on a ratio calculation.

Expenditure category as disclosed in the RFS	Amount \$	Agreed allocation to CRAM
Depreciation and amortisation	364,428,000	Yes
Bad debts	324,000	Yes
Borrowing costs	263,594,000	Yes
Book value on disposal of assets	27,576,000	Yes
Taxation equivalent	168,481,000	Yes

**PROCEDURE 4**

Agree the allocations of cash flows for operating activities, investing activities and financing activities (i.e. receipts and payments) as disclosed in the RFS cash flow statement to the CRAM by business segment.

**Factual findings**

We found the RFS allocations agree with the CRAM.

**Testing details**

We reviewed the allocation methodology applied to each activity. The RFS allocation methodologies applied reflect the causal correlation with the nature of the balance and are in accordance with the CRAM.

**PROCEDURE 5**

Agree the allocation of assets and liabilities as disclosed in the RFS balance sheet to the CRAM by business segment.

**Factual findings**

We found the RFS allocations agree with the CRAM.

**Testing details**

Appendix D of the CRAM stipulates the balance sheet allocation method for both current and non-current assets and current and non-current liabilities.

We reviewed the asset and liability allocations and compared the allocation to the CRAM.

**ELECTRICITY NETWORKS CORPORATION TRADING AS WESTERN POWER  
REGULATORY FINANCIAL STATEMENTS (RFS) – 30 JUNE 2020  
REPORT OF FACTUAL FINDINGS**

**PROCEDURE 6**

Agree the allocations of capital expenditure (i.e. additions) as disclosed in the RFS to the CRAM for both business segment and regulatory category.

**Factual findings**

We found the RFS allocations agree with the CRAM.

**Testing details**

Appendix B of the CRAM stipulates the methodology for the allocation of capital expenditure. The methods applied include allocation based on direct allocation (i.e. account code) or indirect allocation using the method that most appropriately reflects the causal correlation of the underlying transaction. Property, plant and equipment, and intangible assets (**PPE**) is the causal allocation method applied for this purpose.

The RFS capital expenditure categories comprised of a number of accounts, which are further segregated into sub-accounts. We selected our test sample of capital expenditure transactions from the sub-account level. For those transactions allocated on the 'direct' basis we assessed whether their account coding is consistent with the CRAM. For those transactions allocated on the 'indirect' basis we have discussed with management or reviewed documentation to ascertain the nature of the expenditure item and consequently the rationale for the transaction's business segment allocation. The sample selected and reviewed is shown below:

Expenditure category and amount disclosed in the RFS	Asset segment code	Sample amount \$	RFS business segment	Type of allocation	Agreed allocation to CRAM
Capacity expansion \$34,216,000	2000	581,808	Transmission	Direct	Yes
Customer driven \$217,897,000	3000	386,150	Distribution	Direct	Yes
Gifted network assets \$48,044,000	3000	4,442,910	Distribution	Direct	Yes
Asset replacement \$118,679,000	2000	347,548	Transmission	Direct	Yes
State underground power project \$28,431,000	3000	983,885	Distribution	Direct	Yes
Metering \$35,997,000	3000	3,036,071	Distribution	Direct	Yes
Wood pole management \$145,261,000	3000	1,142,910	Distribution	Direct	Yes
Reliability driven \$6,260,000	3000	744,749	Distribution	Direct	Yes
Supervisory control and data acquisition & communications \$47,061,000	2000	374,682	Transmission	Direct	Yes
Regulatory compliance \$51,733,000	2000	1,190,696	Transmission	Direct	Yes
Information technology \$67,851,000	2000 & 3000	668,098	Transmission & Distribution	Indirect (PPE)	Yes
Business support \$56,177,000	2000 & 3000	1,929,001	Transmission & Distribution	Indirect (PPE)	Yes
Capitalised interest \$3,712,000	2000	243,546	Transmission	Direct	Yes
Mobile plant and vehicles	1000	146,657	Unregulated	Direct	Yes

ELECTRICITY NETWORKS CORPORATION TRADING AS WESTERN POWER  
REGULATORY FINANCIAL STATEMENTS (RFS) – 30 JUNE 2020  
REPORT OF FACTUAL FINDINGS

Expenditure category and amount disclosed in the RFS	Asset segment code	Sample amount \$	RFS business segment	Type of allocation	Agreed allocation to CRAM
\$12,651,000					
Stand-alone power systems \$10,873,000	3000	202,932	Unregulated	Direct	Yes

**ELECTRICITY NETWORKS CORPORATION TRADING AS WESTERN POWER  
REGULATORY FINANCIAL STATEMENTS (RFS) – 30 JUNE 2020  
REPORT OF FACTUAL FINDINGS**

**PROCEDURE 7**

Select at least two regulatory adjustments as disclosed in the RFS and agree to the supporting documentation and / or underlying methodology and calculations.

**Factual findings**

We found the RFS adjustments agree with the supporting documentation and / or underlying methodology and calculations.

**Testing details**

We randomly selected two adjustments in respect to capital contributions and depreciation: leased assets and unregulated owned fleet.

We agreed the adjustments to management supporting documentation and noted:

- The adjustment in respect to capital contributions is required in accordance with the ERA Guidelines; and
- The adjustment in respect to leased assets and unregulated owned fleet depreciation is required to align the RFS with the forecast assumptions and expenditure disclosures in Western Power's current access arrangement.

The basis for these adjustments are outlined below:

- (i) Capital contributions: The base accounts include developer and customer contributions as revenue when assets are energised. However, the ERA Guidelines require revenue to be recognised with respect to developer and customer contributions when received.
- (ii) Depreciation: leased assets and unregulated owned fleet: The base accounts disclose leased assets and unregulated fleet depreciation as depreciation and amortisation expenditure. However leased assets and unregulated fleet depreciation is recognised as an operating expenditure adjustment to align the RFS with the forecast assumptions and expenditure disclosures in Western Power's current access arrangement.

**PROCEDURE 8**

Check the mathematical accuracy and perform a cross-reference of the balances disclosed within the RFS.

**Factual findings**

We found the RFS to be mathematically accurate and all balances were cross-referenced.

**Testing details**

We checked the mathematical accuracy by recalculation. We also reviewed the internal consistency of the RFS.

**ACRONYMS**

CRAM: Cost and Revenue Allocation Method

PPE: Property, plant and equipment, and intangible assets

RFS: Regulatory financial statements

ERA: Economic Regulation Authority

ERA Guidelines: ERA's Guidelines for Access Arrangement Information December 2010