

Cost Allocation Methodology

Regulatory Information Notice and Part 10 Financial Reporting

December 2024

Multinet Gas Distribution Partnership

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AMENDMENT RECORD

Version	Date	Author	Description of Changes
1.0	31 March 2021	William Tan	Final for Multinet RIN
2.0	30 September 2024	Lisa Minervini	Review and update

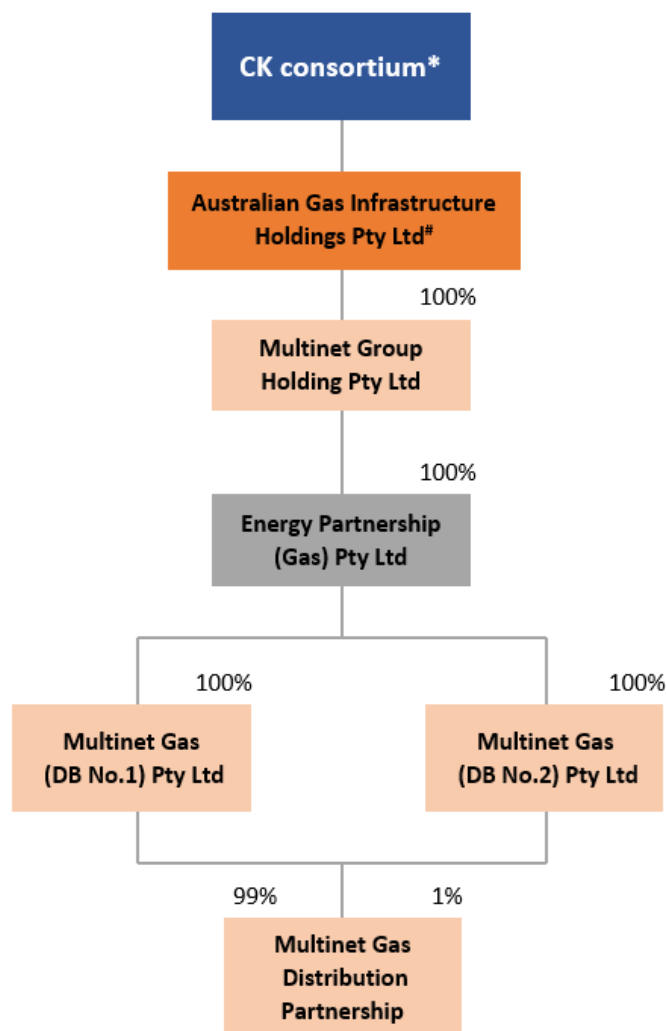
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1. Corporate Profile

The Multinet Gas Distribution Network is owned by Multinet Gas (DB No.1) Pty Ltd and Multinet Gas (DB No. 2) Pty Ltd which together trade as the Multinet Gas Distribution Partnership. Its ultimate holding company is Multinet Group Holdings Pty Ltd (MG Group) which in turn is owned by CK Infrastructure Holdings Limited, Power Assets Holdings Limited and CK Asset Holding Limited (CK Group). The operation and maintenance of the distribution network is currently outsourced to Comdain Services Pty Ltd (trade name Service Stream) and a number of contractors for smaller parcels of work.

Figure 1: Current Company Structure



* CK consortium being CK Infrastructure Holdings, Power Asset Holdings and CK Asset Holdings.

2. Purpose, Scope and Nature

The purpose of this document is to set out the Cost Allocation Methodology (CAM) adopted in MGDG's regulatory reporting.

The scope of this document covers the cost attribution and allocation for functions undertaken by MGDG and the network operations and management and capital works functions undertaken by MGDG's service provider Service Stream.

Costs of services performed by these functions are both direct and indirect in nature and can be applied to capital or operating and maintenance type activities.

These procedures apply to both reference and non-reference services provided by MGDG.

The CAM is established in line with MGDG's Regulatory Accounting Principles and Policies and Capitalisation Policy documents provided as part of the response to the Annual RIN.

3. Responsibility for the Cost Allocation Methodology

Overall responsibility for the CAM is with the Chief Financial Officer and Head of Regulation of MG Group, who will:

- conduct periodic reviews of the CAM, that includes, but not limited to, changes to organisational structure, operating model, cost allocation policy, significant accounting policies and regulatory guidelines where applicable;
- liaise with other General Managers, Business Unit Managers, Finance Managers and their personnel where issues are raised; and
- act as a reference point for all queries regarding the CAM.

In response to organisational change, process improvements, regulatory, legal and accounting standard changes, this CAM will be refined to ensure it continually meets the underlying principles and that cost drivers and allocators used are relevant.

Revisions to this CAM must have the approval of the Chief Financial Officer and Head of Regulation.

4. Organisational Structure

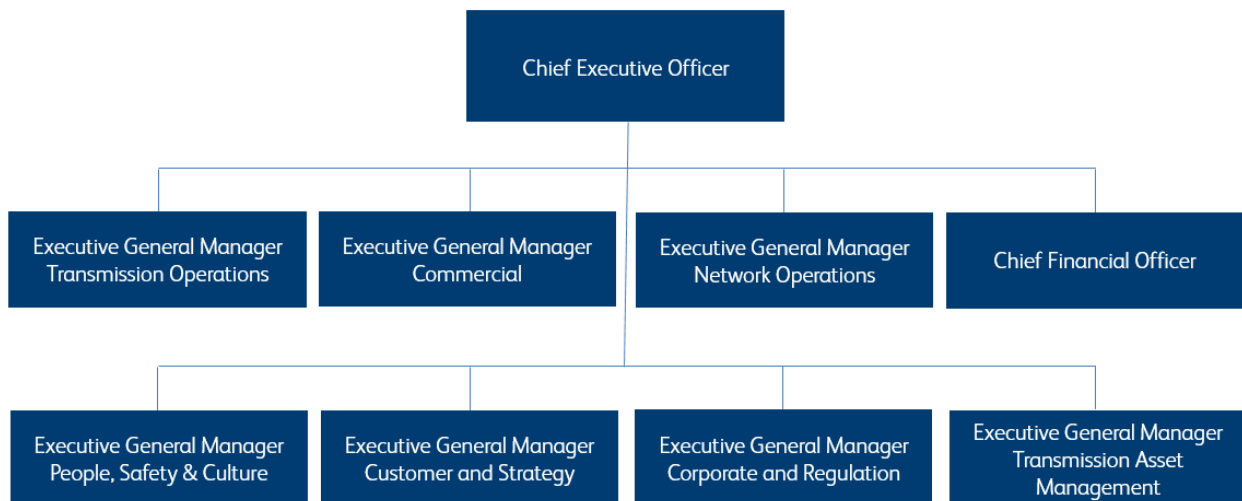
4.1. MG Group Organisational Structure

Since acquisition by CKI, the MG Group forms part of a national group under Australian Gas Infrastructure Group.

The Chief Executive Officer and executive team provides strategic leadership and oversight of the groups business operations nationally.

The executive team is organised into functional areas aligned with key business strategies. A diagrammatic representation of the group's organisational structure, with functional responsibility is contained in Figure 2 below.

Figure 2: Organisational Structure as of May 2024



5. Operations and Management

The network capital and operating program of work is largely outsourced to major contractor Service Stream, smaller subcontractors and contestable panel members. The Operational and Management Services Agreement 3 (OMSA3) with Service Stream enables the MG Group to meet its legal and regulatory requirements.

The Network capital and operating programs are supported by the MG Group business functions of:

- Network Asset Management;
- Network Service Delivery;
- Customer and Market Services;
- Network Control Centre (now operated out of our Perth office); and
- Finance and Information Technology (IT).

Support is also provided by teams and personnel across the broader AGIG Group such as People, Safety and Culture, Tax, Treasury, Regulation, Economics, Corporate Affairs, Strategy and Sustainability, Procurement, Commercial, Legal, Compliance and Assurance and Risk.

6. Costing Principles and Allocation

MGDP collects and allocates costs in accordance with its internal accounting policies and procedures and in a manner consistent with this CAM. With the exception of capitalised overheads as explained below in Section 6.4, all other Opex and Capex reported in the Annual RIN templates has been directly attributed in MGDP's business systems as incurred. These systems are explained further below.

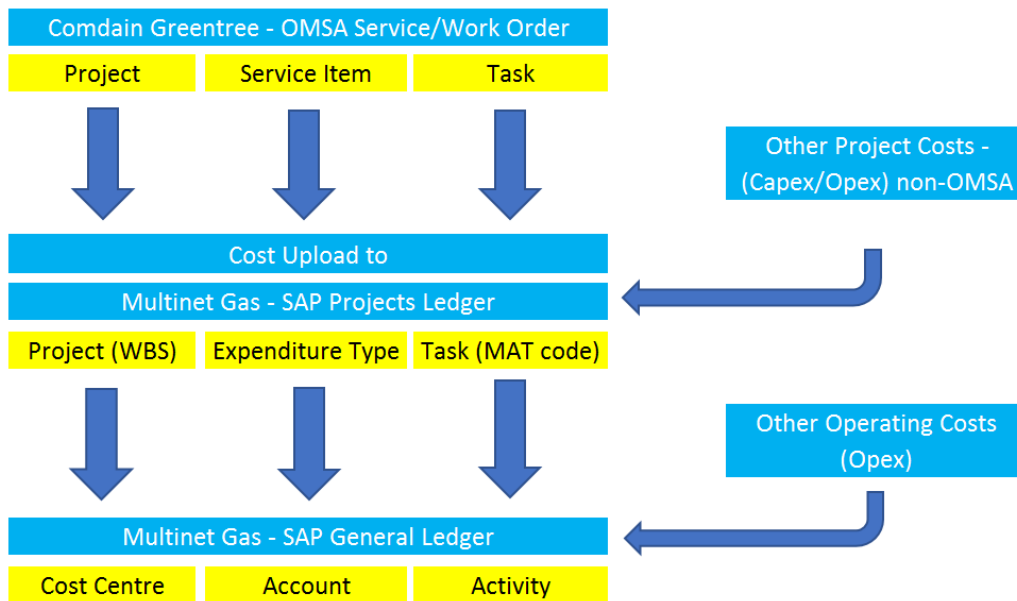
The business utilises its SAP finance system along with a reporting tool (Board) to capture, control and report its costs at the general ledger account and department level, through the use of account codes, cost center codes and other master data identifiers as described below.

Within the SAP core business system MGDP also utilises SAP Project Accounting which controls and captures data for each individual customer project via project codes. The network and operating program data, sourced from its principle contractor Service Stream under the OMSA agreement, is uploaded to SAP via these project codes. These codes are used to capture expenditure to individual projects which relate to specific customer contracts, customer activity types and customer billing types and are treated as direct in nature (i.e. costs are attributed directly). This enables cost capture and reporting of projects by Work Breakdown Structure (WBS) element. Each WBS element is assigned to Maintenance Activity Type (MAT) codes, which relates to the nature of the works carried out at the task level and to a general ledger account code which relates to the expenditure type.

The competitively tendered service provision agreement (OMSA) with Service Stream, has a pain share / gain share provision that applies to both Capex and Opex, based on agreed 'Target Outturn Costs' for each project/unit cost element. Across the full year, there is a significant amount of mutually offsetting gains and losses, with annual net values for each cost category. These year-end values are collected under specified WBSs, which then allocate the cost adjustments in SAP using the same methodology as the project transactions.

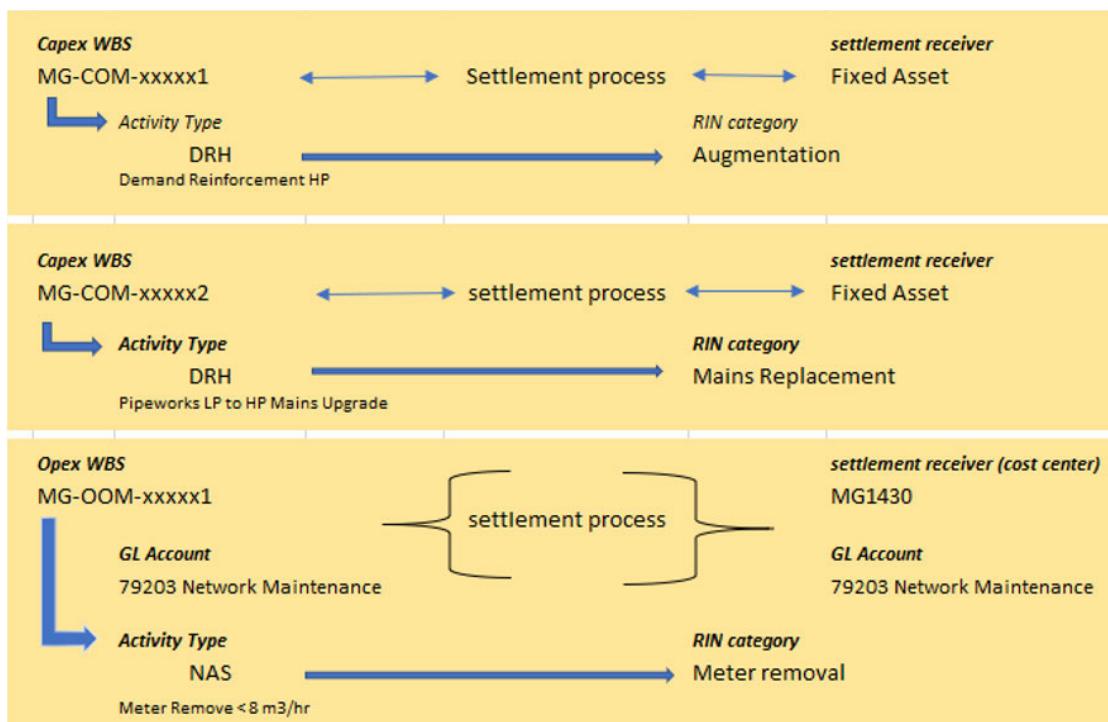
Figure 5 below is a simplified diagram illustrating the relationships between Service Stream and MGDP's business management systems, incorporating the functionality explained above.

Figure 3. Service Stream and Multinet Management Systems - Flow Diagram



In addition to the above, SAP Project Accounting incorporates settlement processes (i.e. business rules) which facilitate expenditure on completed Capex projects being settled to fixed assets and Opex settling to applicable cost centres within the organisational hierarchy of the general ledger. Figure 4 below, further illustrates the relationships between project WBS elements, activity types (or MAT codes) and the general ledger.

Figure 4. SAP Project Accounting and General Ledger – Flow Diagram



All of the above business systems' functionality is used by MGDG to directly attribute costs and to identify and report Opex and Capex in the relevant categories shown as in the AER RIN templates.

6.1 Capital Costs

Capex project costs are directly collected via a job number(s) (SAP WBS) for each project. At inception, each WBS is assigned a MAT code based on the project type. This is usually defined in the project brief or business case. The pre-defined list of available MAT codes provides a robust structure for project type selection and the correct cost allocation.

Smaller Capex works comprise a selection of activities specified under a unit cost structure. The total job cost is the aggregation of the volumes and unit costs applicable to the job. Each activity has a separate WBS, into which all the unit activities are counted across the year. Each activity has a unique MAT code. Unit costs reflect actual direct costs after application of the pain share / gain share arrangement under the OMSA, as mentioned above.

The aggregation of costs across all Capex, utilises the SAP MAT code that is assigned to each WBS. This facilitates the efficient reporting of costs by category and is a key facility in the reporting of costs for the Annual RIN. This enables the business to report Capex in the categories and sub-categories required for RIN reporting.

Capitalised overheads are systematically allocated to most Capex WBSs (with the exception of IT and non-network capital) which have booked costs in the month, with the amount based on the pro-rata allocation of actual overhead costs for that month (see Section 6.4 below).

6.2 Repair and Maintenance Costs

Repair and maintenance costs predominantly on the gas distribution network are works performed directly on the physical assets.

These costs are directly attributed and follow a similar approach as the smaller Capex works mentioned above, using a suite of Opex unit cost activities, each with a unique MAT code. These codes are then mapped to the Repairs and Maintenance opex category for RIN reporting.

6.3 Operating costs

These are the other directly attributed costs associated with the business and include items such as employee costs, customer and market services, consulting and legal expenses, IT costs, insurance, audit costs and general administration costs. These costs incurred by MGDG have been allocated to the Other Operating Costs category for RIN reporting. The general ledger codes and cost center codes in the Cost Center Reports are categorised which enables MGDG to report in the appropriate Opex categories required for RIN reporting.

6.4 Capitalisation of Network and Business Support Overheads

Where the overheads are directly attributable to an underlying asset or group of assets, it is capitalised as part of the cost of those assets. Refer to MGDG's Capitalisation Policy for further details.

There are two types of overhead rates applied to capital projects by MGDG:

- **MGDP Overhead 1 (Network)**

The Network rate represents Multinet employee labour costs which are fully (100%) or partly dedicated to capital works and Network Business Overhead function costs that are directly involved with the development and delivery of the Network capital programs. The Network Business Overhead functions include Network Asset Management and Network Services Delivery and the Network Control Centre (NCC), for example.

MGDP Overhead 1 (Network) is allocated based on the actual direct capital spend for the month which is consistent with how the Network Overheads are reported in the Annual RIN.

- **MGDP Overhead 2 (Support)**

This rate has applied from 1 January 2018 and represents the Business Support Overhead functions that are attributable to the support of the delivery of the Network capital and operating programs including customer and market Services IT, finance, treasury, HSE, people and culture and procurement and facilities.

The allocation of this overhead to capital projects is based on the actual direct capital spend and is reviewed by Services Delivery management before being posted.

For Regulatory purposes the Business Support overheads are excluded from capex and therefore reported as Opex in the Annual RIN Template. This is consistent with the MGN Capitalisation Policy and the Regulatory Accounting Principles and Policy document.

7. Related Parties

The following entities are related parties to MDGP based on the definition disclosed in the *Annual Reporting RIN – Appendix F Definitions – Varied 14 April* and reported in this RIN for the current Access Arrangement period 2023/24 – 2027/28 and remains effective for future reporting periods, subject to amendment:

- DBNGP (WA) Nominees Pty Limited
- DBNGP WA Pipeline Trust
- DBNGP (WA) Transmission Pty Limited
- United Energy Services Pty Ltd
- AGI Services Pty Ltd
- AGI Finance Pty Ltd

8. Record Maintenance

As described in section 6, MGDG derives costs through its SAP finance system including costs uploaded into this system from its service provider that delivers operating, maintenance and capital services to the gas distribution network.

Audited statutory accounts for the consolidated MG Group and for the partnership MGDG are prepared on a calendar year basis and these, in conjunction with half yearly accounts, form the foundation for the overall costs that are included in the Annual RIN financial reporting to the AER.

Financial data reported in the RIN templates is in accordance with, and reconciled to, a composite of the full year audited statutory accounts and half yearly accounts for the MG Group.

Full documentation is maintained in preparation of the regulatory reporting to the AER. Supporting cost reports are generated and working files prepared, including cost allocations consistent with this CAM.

All reports and files are made available to external auditors for the purpose of expressing an opinion that the financial information contained in the regulatory templates is presented fairly in accordance with this CAM. As part of this process, the Chief Financial Officer and Executive General Manager Corporate and Regulation sign a Management Representation Letter, attesting to the auditors that the RINs have been appropriately reviewed and prepared in accordance with these documents.

Upon finalisation of the audit and/or review process, relevant General Managers sign a memo confirming the accuracy of the data contained in the RIN and endorse the Chief Executive Officer to sign a Statutory Declaration attesting that the information contained in the RIN, to the best of their knowledge, is true and accurate in all material respects.

All the information prepared as part of the Annual RIN is maintained for at least seven years from the date of the respective submission.

9. Compliance with Cost Allocation Methodology

The Manager Regulatory Finance and the Regulatory Accountant are responsible for preparing financial information reported to the AER in the regulatory templates (Annual RINs and Access Arrangement RINs) in accordance with the CAM and other internal guidelines. The Chief Financial Officer and Head of Regulation are responsible for the final review of financial information reported in the Annual RINs. Compliance is endorsed by management and reviewed by independent auditors.

10. Glossary and Definitions

For purposes of this policy, unless otherwise stated, the following definitions shall apply:

Term	Definition
AER or "The Regulator"	Australian Energy Regulator
Ancillary Reference Services	Services provided on the Gas Distribution Network including: Meter and gas installation test; Disconnection including removal of meters; Reconnections including installation of meters; Special meter readings Service Abolishment - Residential
Capex	Expenditure incurred on capitalised assets
DBP	Dampier Banbury Pipeline and all of its subsidiaries
EPG	Energy Partnership Gas a 100% owned subsidiary of MG
EPL	Energy Partnership Limited
GAAR	Gas Access Arrangement Review
Gas Distribution Business	A natural gas distribution network that takes gas from transmission pipelines and reticulates it into residential homes, offices, hospitals and businesses.
Haulage Reference Services	Represents the services provided on the Gas Distribution Network including: Allowing injection of gas at transfer; Points conveyance of gas from transfer points to distribution supply points; and Allowing withdrawal of gas at distribution supply points. There is some exclusion.
MG Group	Multinet Group Holdings Pty Ltd and all of its subsidiaries,
MGDP	Multinet Gas partnership which is a 100% owned subsidiary of MG
MGN	Multinet Gas Networks
Non-Reference Service	Non-reference services applicable to the current access arrangement: Tariff D/L and complex V connections Service Visit - Long/Short Alter Meter Position

Term	Definition
	After Hours Connection/Reconnections Tariff V Meter Investigation NATA test Other Non- reference services
Opex	Expenditure incurred is included as operational expenditure attributing to the statement of income position for the period (i.e. profit and loss).
A Related Party transaction	Includes a payment made under a contract with a party who was a Related Party at the time the contract was entered into.
Regulatory Year	Twelve months ending 30 June
Regulatory Accounts	Accounts of the regulated business submitted by the companies for the direct consideration of the Australian Energy Regulator. Regulatory accounts are prepared until 2012 Regulatory Year and are then replaced by RIN Templates.
Regulatory Assets	Assets that are currently regulated by the Regulator.
Reference Service	Consists of Haulage Reference Services adjusted for Ancillary Reference Services as defined.
Related Party	Any entity other than the pipeline service provider that at any time during the previous access arrangement period, current access arrangement period, or next access arrangement period: (i) had, has or is expected to have control or significant influence over the pipeline service provider; (ii) was, is or is expected to be subject to control or significant influence from the pipeline service provider; (iii) was, is or is expected to be controlled by the same entity that controlled, controls or is expected to control the pipeline service provider — referred to as a situation in which entities are subject to common control; (iv) was, is or is expected to be controlled by the same entity that significantly influenced, influences or is expected to influence the pipeline service provider; or (v) was, is or is expected to be significantly influenced by the same entity that controlled, controls or is expected to control the pipeline service provider;
RIN	Regulatory Information Notice
SAP	Software used to record and manage its business performance and processes
UE	United Energy Distribution Holdings Pty Ltd and all of its subsidiaries, otherwise known as the UE Group
UEM	UE & Multinet Pty Ltd, the shared services vehicle now 100% owned MGN
UES	United Energy Services Pty Ltd

11. Application and Effective Date

This CAM document:

- a Applies to the preparation of regulatory financial information to be provided to the AER by MGDGP in respect of the Annual Regulatory Information Notice issued on 2 March 2020, (amended in a variation notices, dated 22 September 2020 and 14 April 2023 introducing a six month period and accommodating MGDGP's transition from calendar to financial year reporting);
- b Is applicable to all personnel involved in the preparation of regulatory financial reporting to the AER;
- c Applies to the current Access Arrangement period 2023/24 – 2027/28; and
- d Remains effective for future regulatory reporting periods, subject to amendment.

Approved by:



Paul May

Chief Financial Officer



Peter Bucki

Head of Regulation

Date: 25/11/2024