

nbn Proposed Accounting Procedures

April 2024



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Version and date of effect

These Approved Accounting Procedures are version 1.0. They were submitted to the ACCC on 2 April 2024 and take effect on and from the Accounting Separation Establishment Date (this is 31 December 2024, subject to clauses 21.6.2(c) and 21.6.4 of **nbn**'s Special Access Undertaking (SAU) as varied on 17 October 2023). They will continue in effect until the earlier of 30 June 2032 or changes to the Approved Accounting Procedures are made under clause 21.6.5 of the SAU, and are subject to exceptions under clause 21.6.6 of the SAU.

Document history

Version No.	Date of Revision	Details
1.0	2 April 2024	Approved Accounting Procedures submitted to the ACCC by nbn pursuant to clause 21.6.1 of the SAU (Proposed Accounting Procedures)

Disclaimer

These Approved Accounting Procedures are for the purposes of **nbn**'s SAU, which is a regulatory undertaking given to the ACCC. The information in this document should not be relied on in any context not related to **nbn**'s SAU. The revenue and cost allocations made pursuant to this document are allocations for the purposes of **nbn**'s SAU only and may not be appropriate for any other purpose, context or circumstance.



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Abbreviations

Unless the context provides otherwise, capitalised terms in this Submission have the same meaning as in the Dictionary set out in Attachment C to the SAU.

Shortened form	Longer form
ACCC	Australian Competition and Consumer Commission
AER	Australian Energy Regulator
BBM	Building Block Model
CAG	Cost Allocation Guidelines
CAM	Cost Allocation Manual
Capex	Capital Expenditure
EE	Enterprise Ethernet
ERP	Enterprise Reporting System
FTTB	Fibre-to-the-Building
FTTC	Fibre-to-the-Curb
FTTN	Fibre-to-the-Node
FTTP	Fibre-to-the-Premises
HFC	Hybrid Fibre Coaxial
ICRA	Initial Cost Recovery Account
LTD	Life to Date
NBN	National Broadband Network
NBN Co	National Broadband Network Company Pty Ltd
NER	National Electricity Rules
Opex	Operating Expenditure
RSP	Retail Service Provider
SAU	Special Access Undertaking
TAND	Transit Aggregation Nodes and Depots
TC	Traffic Class
TIL	Telecommunications Industry Levy
TOW	Ticket of Work
YTD	Year to Date



1 Introduction

1.1 Nature, scope and purpose

This document sets out the Accounting Procedures for the purposes of clause 21.6 of **nbn**'s Special Access Undertaking as varied on 17 October 2023 (**SAU**).

The Accounting Procedures comprise:

- procedures for establishing and maintaining consolidated and separate accounts for each of the products and services set out in clause 21.6.1(a) of the SAU;
- in respect of those procedures, arrangements for the scope, form and timing of any reporting by **NBN Co** to the ACCC, and the scope and timing of any external assurance;
- a methodology for the allocation of costs between those products and services, which is consistent with the Cost Allocation Principles (as set out in clause 2G.6.2 of the SAU) and the Cost Allocation Manual (CAM, as established under clause 2G.6.3 of the SAU); and
- a methodology for the allocation of revenue between those products and services.

Capitalised terms used, but not explicitly defined, in these Accounting Procedures have the meanings given to them in the SAU.

1.2 Accountabilities and responsibilities

Overall accountability for the governance and implementation of the Accounting Procedures is with the Chief Financial Officer (CFO) of **nbn**.

The General Manager - Corporate Finance is responsible for:

- ensuring the Accounting Procedures are updated, maintained and applied, including the internal monitoring and reporting of its application; and,
- working in close collaboration with other groups across **nbn** (including the Regulatory Affairs team) to communicate the requirements of the Accounting Procedures and monitor **nbn**'s compliance with the Accounting Procedures.

1.3 Relationship to the CAM

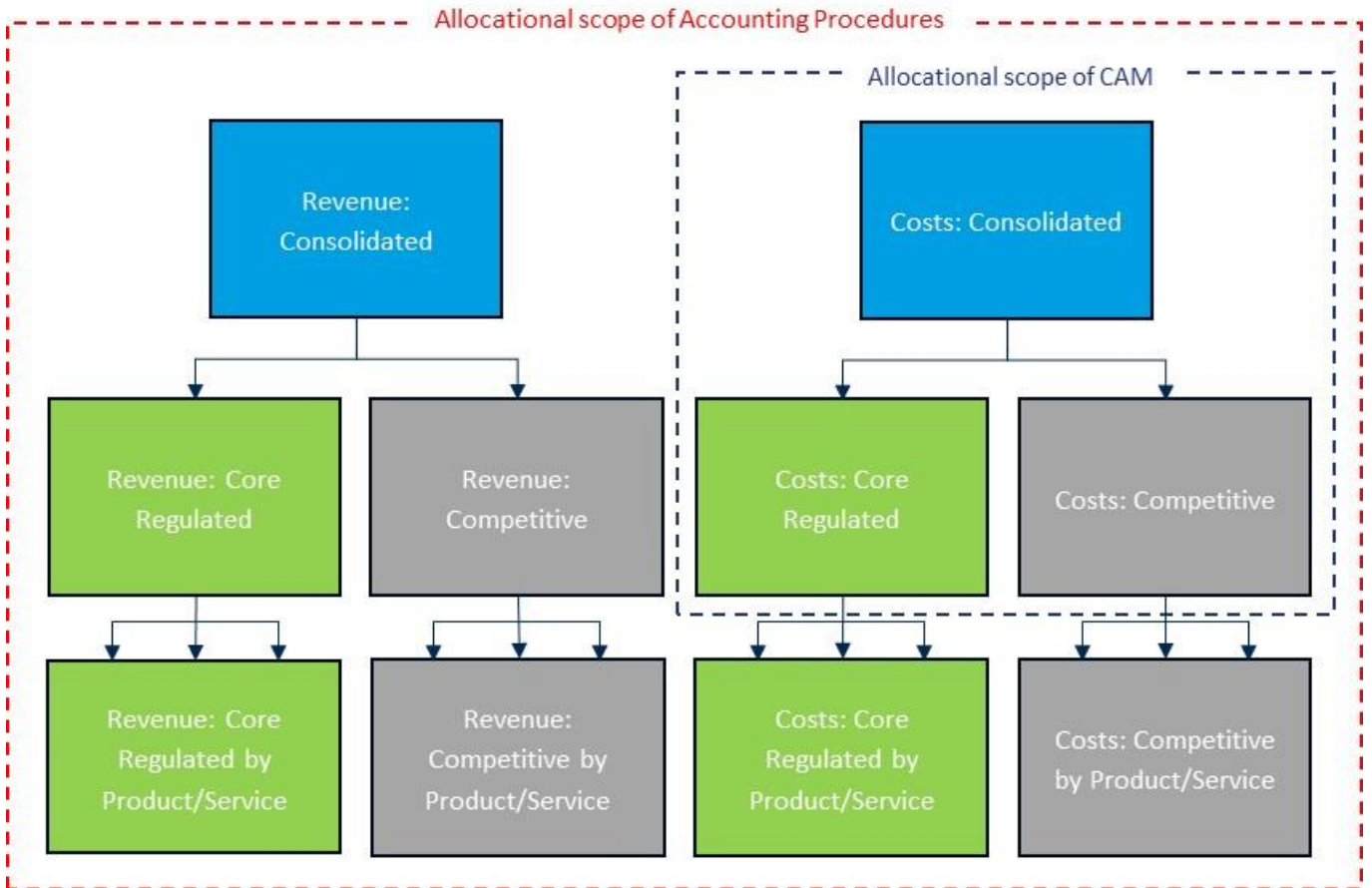
The CAM describes the detailed methodology pursuant to which **nbn** allocates costs between Core Regulated Services and Competitive Services consistent with the Cost Allocation Principles. As illustrated in Figure 1, the cost allocation method for Accounting Separation is the method in the Proposed CAM¹ which allocates costs to Core Regulated Services (as a group) and Competitive Services (as a group) that is taken as an output from the application of the CAM and is used as an input to the Accounting Procedures. Those procedures go further to also allocate:

¹ As of 2 April 2024, the ACCC has not approved a CAM under clause 2G.6.3 of the SAU. For these Accounting Procedures, references to aspects of the cost allocation methodology (including to specific allocators) within the CAM are references to the relevant aspects of the Proposed CAM of 16 November 2023.



- Consolidated Revenue to the Core Regulated Service and Competitive Service categories, and then to the products and services within those categories;
- Costs for Core Regulated Services to the products and services within that category; and
- Costs for Competitive Services to the products and services within that category.

Figure 1: Relationship between CAM and Accounting Procedures



1.4 nbn’s corporate and operational structure

Established in 2009 as a Government Business Enterprise (GBE), the principal responsibility of **nbn** is to operate and continue to build and upgrade the **nbn**[®] network in accordance with the expectations of the Government. This involves delivering wholesale broadband services across the country on a non-discriminatory basis, enabling the provision of services to consumers and businesses by retail service providers (**RSPs**).

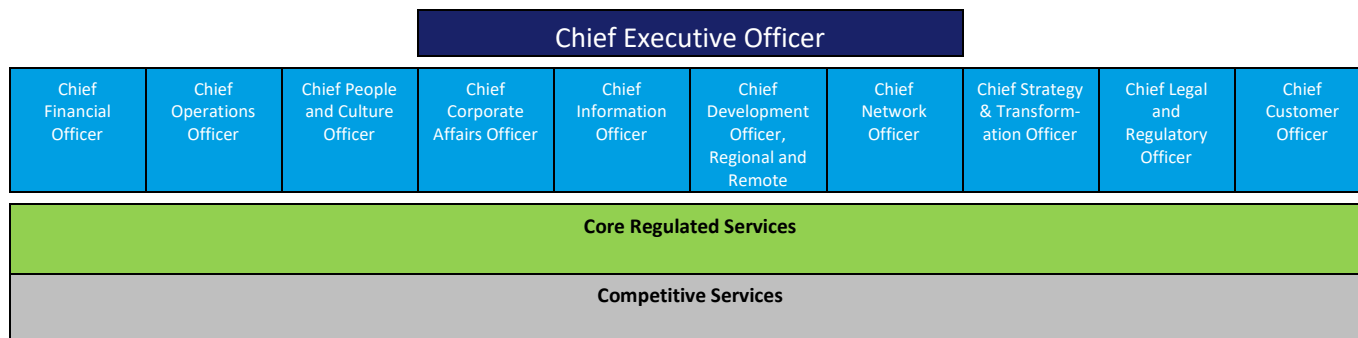
nbn's Core Regulated Services and Competitive Services are provided via the combined efforts of 10 business units, as illustrated below in



Figure 2. **nbn**'s organisational structure is subject to change over time. Unless the change in structure impacts how costs and revenues are allocated as described in these Accounting Procedures, organisational structure changes will not trigger an update to the Accounting Procedures.



Figure 2: nbn’s organisational structure





2 nbn products and services

2.1 Products and services

The SAU establishes two categories of **nbn** services:

- Core Regulated Services – these comprise all products and services supplied by **nbn** other than the Competitive Services; and
- Competitive Services – these currently comprise the following three services:
 - **NBN** Co Enterprise Ethernet (**EE**), which connects from a business premises to **nbn**'s fibre access node using a dedicated fibre optic path.
 - **NBN** Co Business Satellite Service (**BSS**), which is an enterprise level satellite solution that combines access to satellite infrastructure with additional business services, such as a specialist Business Satellite Operations Centre to manage connections, service requests and services incidents.
 - **NBN** Co Satellite Mobility for Large Commercial Passenger Aircrafts (**Satellite Mobility**), which is a wholesale satellite access service that can be used for Wi-Fi services onboard passenger aircraft.

The SAU also provides for **nbn** to establish and maintain consolidated and separate accounts for each of the products and services set out in clause 21.6.1(a) of the SAU. Each of those products and services map wholly to the Core Regulated Services category or wholly to the Competitive Services category, with the exception of 'NNI Ordered Products'.² Relevantly, NNI is itself a product component of other services, such as **nbn** Ethernet (a Core Regulated Service) and EE (a Competitive Service). Accordingly, for the purposes of these Accounting Procedures:

- the costs and revenues of NNI Ordered Products are considered in total, as well as being allocated to an 'NNI – Core Regulated Services' (NNI – Core) category and an 'NNI – Competitive Services' (NNI – Competitive) category; and
- references to the costs and revenues of EE are exclusive of the costs and revenues of the NNI component of the EE product.³

Further to this:

- under the WBA, **nbn** Ethernet products consist of four elements, AVC, CVC, UNI and NNI. For the purposes of the Accounting Procedures, the product components for UNI and CVC are grouped together with the relevant AVC Ordered Products in these Accounting Procedures; and

² NNI, or Network to Network Interface, is the interface at an **nbn** Point of Interconnection (**POI**) where RSP traffic for all Connectivity Virtual Circuits (**CVCs**) using that NNI is handed over to the **nbn**[®] network.

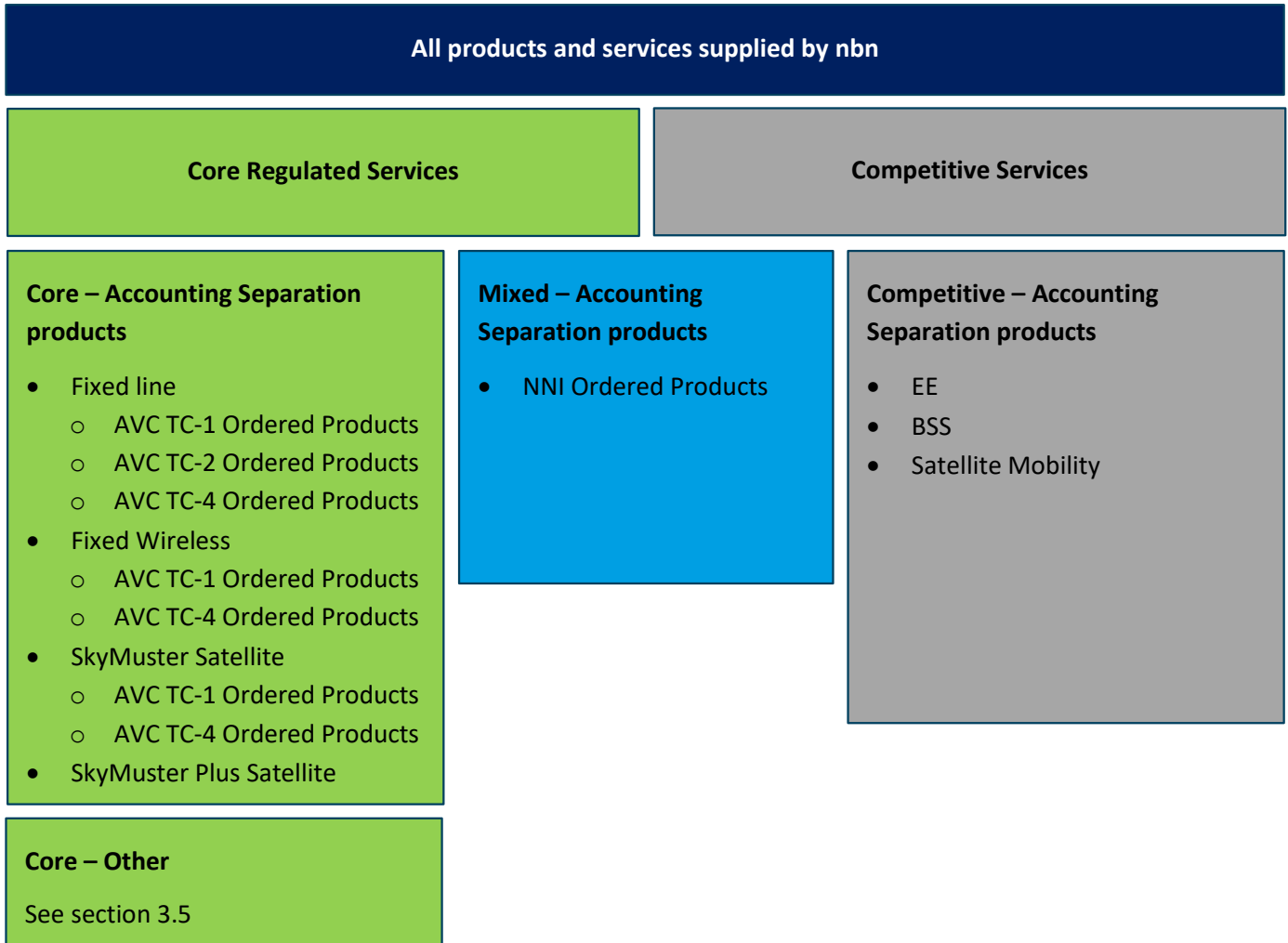
³ In addition, note that references to NNI in these Accounting Procedures do not include the B-NNI product component of the Business Satellite Service (BSS) or the M-NNI product component of the Satellite Mobility for Large Commercial Passenger Aircraft service (which are not within scope of the 'NNI Ordered Products' as listed in SAU clause 21.6.1(a)).



- given that the list of products and services subject to Accounting Separation under the SAU do not include all **nbn**'s products and services or account for all of **nbn**'s revenues, these Accounting Procedures show completeness of revenues earned using 'Other' products category within Core Regulated Services.⁴

Figure 3 below, each of these generally summarises the mapping of services.

Figure 3: Core Regulated Services, Competitive Services and Accounting Separation



2.2 Relationship to the nbn[®] network

As depicted in Figure 4 below, the **nbn**[®] network comprises seven access technologies (FTTP, FTTN, FTTB, FTTC, HFC, Fixed Wireless and Satellite), which are linked together via **nbn**'s transit network. This provides connectivity from an end user's premises through to the relevant **nbn** Point of Interconnect (POI) where access seekers connect to the **nbn**[®] network.

⁴ **nbn**'s Smart Places product is not listed in SAU clause 21.6.1(a). For the purposes of these Accounting Procedures, the costs and revenues associated with the product components of **nbn** Smart Places are included in the costs and revenues of the equivalent product components of **nbn** Ethernet provided over **nbn**'s FTTP network. In particular, the AVC product component of **nbn** Smart Places is treated together with the AVC product component of **nbn** Ethernet provided over **nbn**'s FTTP network (listed in SAU clause 21.6.1(a) as AVC TC-2 and TC-4 Ordered Products).

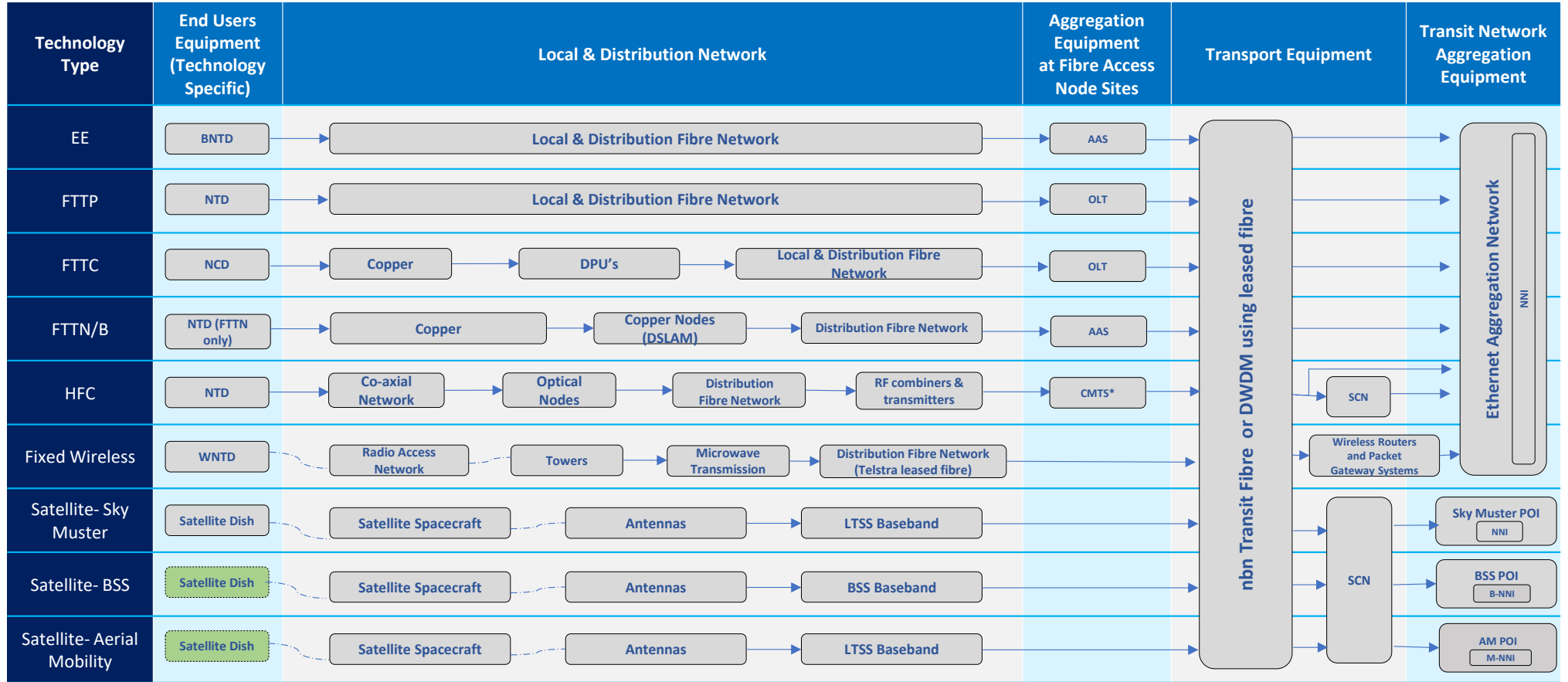


Only two of the access technologies (FTTP and Satellite) are used to supply both Competitive Services and Core Regulated Services:

- EE is provided on the FTTP access technology; and
- BSS and Satellite Mobility are provided on the Satellite access technology.



Figure 4: Network Diagram by technology



Legend

= Third party owned

*CMTS are located at POI sites



3 Accounting Procedures

3.1 Overview of approach

nbn utilises an Enterprise Resource Planning (**ERP**) financial management system to capture, control and report financial information at a General Ledger account level using specific account numbers and cost centres. **nbn**'s accounting system is based on a modular suite structure, which utilises specific modules or sub-ledger systems to record and report underlying cost, revenue, asset and liability information. These modules and sub-ledgers interface into the General Ledger but typically contain more detailed financial information. The most significant modules/sub-ledgers utilised by **nbn** include:

- Modules for Procurement, Inventory and Project Accounting
- Fixed Asset Register
- Treasury Management System
- Lease Management System
- Billing and Revenue Management System

nbn's General Ledger Accounting String (or Chart of Accounts) is divided into 6 utilised segments⁵ (Company, Cost Code, Account, Project, Technology, and inter-company) containing 30 digits that aid the classification and allocation of costs, revenues, assets and liabilities. **nbn** maintains its Chart of Accounts on a "By Nature" basis; that is, posting accounts reflect the nature of the cost or revenue incurred or the asset or liability recorded.

Revenue from **nbn**'s source systems can be measured and assessed across a number of specific data points, including category of end-user service ordered, customer serving area (CSA) and location ID.

The Oracle Billing and Revenue Management System (BRM) records **nbn**'s revenue. The revenue earned for each premises served by the **nbn** network has a final delivery technology and service recorded in BRM. Revenue data is ingested from BRM into the Finance Data Mart (FDM), which provides data analysis and interrogation functionality. BRM is integrated into the Oracle general ledger via the Financial Accounting Hub (FAH), which systematically maps revenue transactions to appropriate General Ledger Accounts based upon the nature of the products and services ordered.

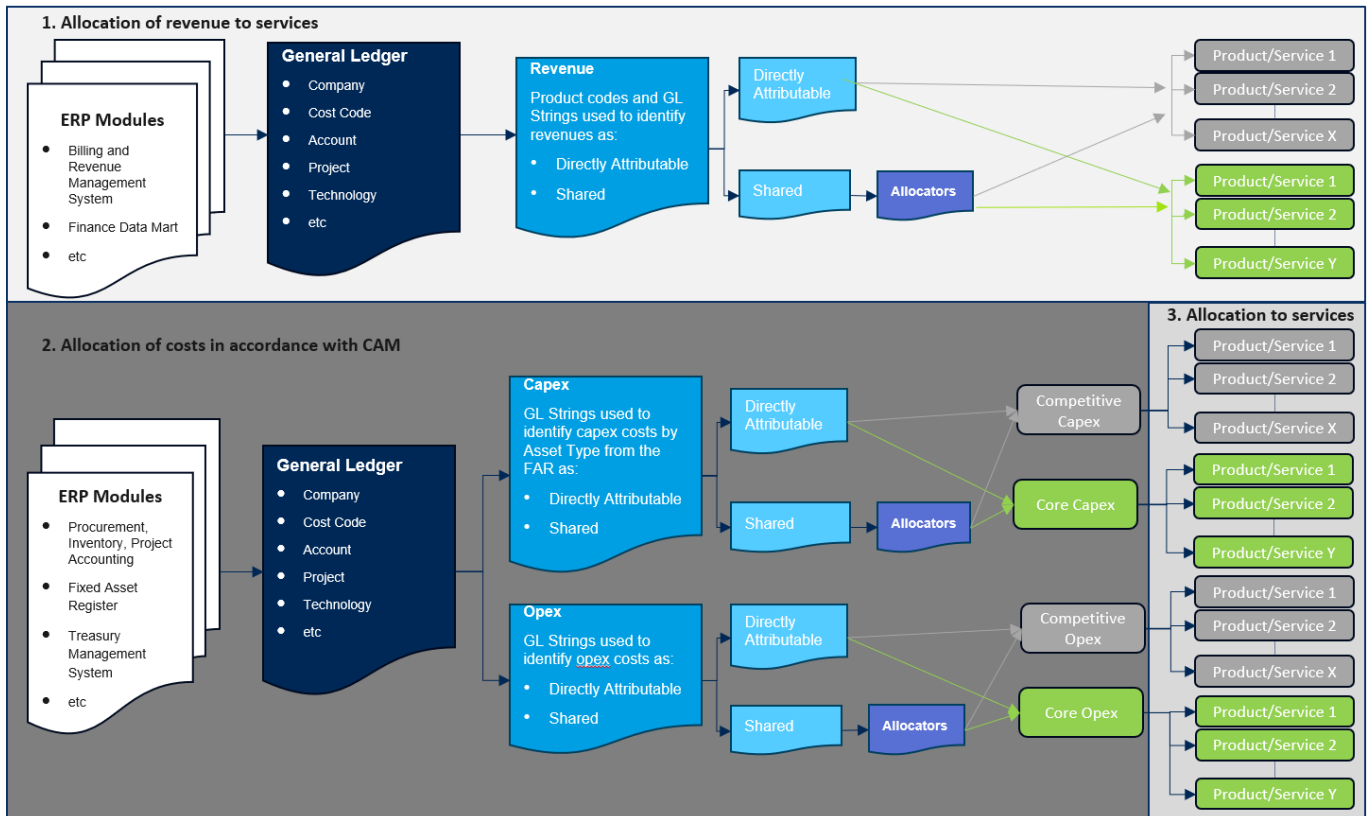
Australian accounting standards are used to determine whether expenditure is categorised as capital expenditure or operating expenditure.

All actual cost and actual revenue information utilised for the purposes of cost and revenue allocation is extracted from **nbn**'s core financial systems, which are subject to independent external audit procedures.

⁵ Two spare General Ledger Accounting Strings exist, Spare 1 and Spare 2, to allow for future functionality.



Figure 5. Overview of approach



3.2 Revenue Allocation Principles and Methodology

Although the SAU does not set out principles for revenue allocation, the Accounting Procedures adopt a set of “Revenue Allocation Principles” that follow the same approach as the SAU’s Cost Allocation Principles.

The Revenue Allocation Principles are as follows:

- Revenues that are directly attributable to a product or service will be allocated to that product or service.
- Shared revenues (i.e., revenues that are not directly attributable to a product or service) will be allocated to reflect causal relationships between supplying the product or services and earning revenues, unless establishing a causal relationship would require undue cost or effort in which case an alternative suitable allocator will be used.
- All revenues will be allocated.
- No revenue should be allocated more than once to any service.

nbn has adopted the following definitions of directly attributable and shared revenues for the purposes of the Accounting Procedures:

- **directly attributable or directly attributed** — an item is directly attributable or directly attributed to a service if it is wholly and exclusively associated with that service.
- **shared revenues** — revenues that are not directly attributable to a service.



3.3 Directly attributable revenues

Directly attributable revenue is determined from data stored within **nbn**'s general ledger, BRM and FDM. The vast majority of **nbn**'s revenue streams are directly attributable to a particular product or traffic class using technology and product codes within **nbn**'s ERP.

The directly attributable revenue streams are described in Table 1 below.

Table 1: Directly attributable revenue streams

Revenue Stream	Description	Revenue Type	Causality relationship	Allocator
Recurring Telecommunications Revenue				
AVC	AVC (access virtual circuit) – an Ethernet-based Layer 2 virtual connection that carries traffic to and from an end-user on NBN Co 's fibre, FTTB, FTTN, FTTC, HFC, wireless, or satellite networks.	Directly attributable based on ERP coding	N/A	N/A
CVC	Connectivity Virtual Circuit (CVC) – ordered based upon the capacity required to serve each Connectivity Serving Area (CSA). The CVC is an aggregation of the Access Virtual Circuits (AVCs) from the end-user premises back to the Point of Interconnect (POI).	Directly attributable based on ERP coding	N/A	N/A
NNI	A Network-Network Interface (NNI) is the interface at a nbn Point of Interconnection (POI) where RSP traffic is handed to/from the nbn [®] network. The NNI provides RSPs an aggregation point for their services supplied on any of the various access technologies that nbn has deployed in the network.	Directly attributable based on ERP coding	N/A	N/A
Other recurring telecommunications revenue	Cell Site Access Services Enable mobile network operations to obtain access to the nbn network required for the use of cell sites. Cell sites are used to host 2G, 3G and 4G network elements by these customers.	Directly attributable based on ERP coding and SME review	N/A	N/A
Customer Rebates				
Customer rebates (Direct)	Various rebates are provided to RSPs which are linked to customer orders for specific products.	Directly attributable based on ERP coding and SME review	N/A	N/A
Other Telecommunications Revenue				
Ancillary and service charges	Includes installation, activation, early termination and other ancillary charges. This includes NNI activation fees and BSS non-recurring income for the installation of BSS equipment at the end user premises.	Directly attributable based on ERP coding (This may include direct attribution to products/services)	N/A	N/A



		categorised as Other)		
WBA Facilities Access	Includes the ODF Termination service, Co-location service, Cross Connect service and Building Entry Service.	Directly attributable to Other based on ERP coding	N/A	N/A
Non-Telecommunications Revenue				
Non-Telecommunications Revenue	Includes non-WBA facilities access services, copper and HFC continuity leasing fees and other ad-hoc non-telecommunication revenue items.	Directly attributable to Other based on ERP coding	N/A	N/A

3.4 Shared revenues

Shared revenue is revenue that is not directly attributable to a particular product or traffic class, but which is allocated across a number of products or traffic classes. Consistent with the Revenue Allocation Principles, revenue streams (excluding NNI and Other, which are described in Sections 3.5 and 3.6) that are not directly attributable (i.e. shared) will be allocated to reflect causal relationships between supplying the products or services and earning revenues, unless establishing a causal relationship would require undue cost or effort in which case an alternative suitable allocator will be used.

The choice of allocator(s) for shared revenue was achieved by following the decision tree process depicted in Figure 6.

The shared revenue streams and associated allocators are set out in Table 2 below.

Table 2: Shared revenue streams

Revenue Stream	Description	Revenue Type	Causality relationship	Allocator
Recurring Telecommunications Revenue				
Enhanced Fault Service Level Offers	Provides Customer with enhanced Service Levels for the rectification of End User Faults which affect an Ordered Product supplied by means of the nbn TM network.	Shared across all Core and Competitive Fixed Line Services, excluding Other	A function of the number of services that have enhanced service level agreements.	Active services – YTD (Fixed Line TC-2 & TC-4, Enterprise Ethernet)
Customer Rebates				
Customer rebates (Shared)	Various rebates provided to RSPs.	Shared across all Core and Competitive Services, excluding Other	In most instances customer rebates are directly attributable to specific services. Where a rebate may apply to more than one service the rebate will be allocated proportionally across the relevant services.	Active services – YTD



3.5 Other revenues

The products and services listed in the SAU subject to cost allocation procedures as part of the Accounting Separation exercise comprise the majority of **nbn** revenues. As discussed in Section 2.1, there are miscellaneous revenues which do not form part of the defined products and services. To ensure reconciliation to total regulatory and statutory revenue results, these revenue streams (and associated costs) will be classified and separately reported as Other (see Figure 3) under the Accounting Procedures.

Examples of these 'Other' revenue streams are provided in Table 3.

Table 3: Other revenue streams

Other Revenue Stream	Description
WBA and non-WBA Facilities Access charges (see Table 1)	Fees charged to RSPs for optional access to, or co-location within, nbn 's facilities, to enable the delivery of broadband service by the RSP to the end user. These fees may be recurring or a one-time upfront charge.
Ancillary and service charges	These are non-recurring, non-refundable fees charged to RSPs for various items, including: initial and subsequent installation fees, service transfers and early termination fees.
Lease and licence charges	Charges for right of use licences of copper and HFC infrastructure back to an access seeker enable legacy services to be provided
Other ad-hoc charges	Other ad-hoc charges

3.6 NNI revenue allocation between Core and Competitive products and services

As outlined in Section 2, the NNI service will serve data traffic for both Core and Competitive broadband services to end-users. To maintain consistency with and reconciliation to the CAM outcome, the Accounting Procedures provide for the NNI product to be allocated into NNI – Core and NNI – Competitive components.

The allocation of total NNI revenue between Core and Competitive will be based on average estimated network data traffic – (YTD) for the following services:

- Core (Fixed Line TC-1, TC-2, TC-4; Fixed Wireless TC-1, TC-4; Satellite TC-1, TC-4)⁶
- Competitive (Enterprise Ethernet)⁷

⁶ Note that Sky Muster Plus is an end-to-end resale service that does not interconnect with an RSP and therefore does not utilise NNI.

⁷ As noted above, references to NNI in these Accounting Procedures do not include the B-NNI product component of the Business Satellite Service (BSS) or the M-NNI product component of the Satellite Mobility for Large Commercial Passenger Aircraft service (which are not within scope of the 'NNI Ordered Products' as listed in SAU clause 21.6.1(a)).



4 Cost Allocation Principles and Methodology

4.1 Cost Allocation Principles

As summarised in Section 1, the Accounting Procedures must set out a methodology for the allocation of costs between the products and services subject to Accounting Separation which is consistent with the Cost Allocation Principles and the CAM.

The Cost Allocation Principles, as defined in the SAU, are as follows:

- costs that are directly attributable to a Core Regulated Service will be allocated to that Core Regulated Service;
- costs that are directly attributable to a Competitive Service will be allocated to that Competitive Service;
- shared costs (i.e., costs that are not directly attributable to a Core Regulated Service or Competitive Service) will be allocated to reflect causal relationships between supplying services and incurring costs, unless establishing a causal relationship would require undue cost or effort in which case an alternative suitable allocator will be used;
- all costs will be allocated; and
- no cost should be allocated more than once to any service.

To maximise the consistency between the CAM and the Accounting Procedures, **nbn** will leverage the existing cost splits between Core Regulated Services and Competitive Services. The cost outcomes from the CAM allocation process for Core Regulated Services (as a group) and Competitive Services (as a group) by CAM Cost Categories is the starting point for allocation to the respective Core and Competitive products and services subject to Accounting Procedures.

The costs allocated to either Core Regulated Services or Competitive Services pursuant to the CAM allocation process will be further disaggregated between the products and services subject to Accounting Separation using a methodology consistent with the Cost Allocation Principles set out above.

nbn has adopted the following definitions of directly attributable and shared costs for the purposes of the Accounting Procedures:

- **directly attributable or directly attributed** — an item is directly attributable or directly attributed to a service if it is wholly and exclusively associated with that service.
- **shared costs** — costs that are not directly attributable to a service.

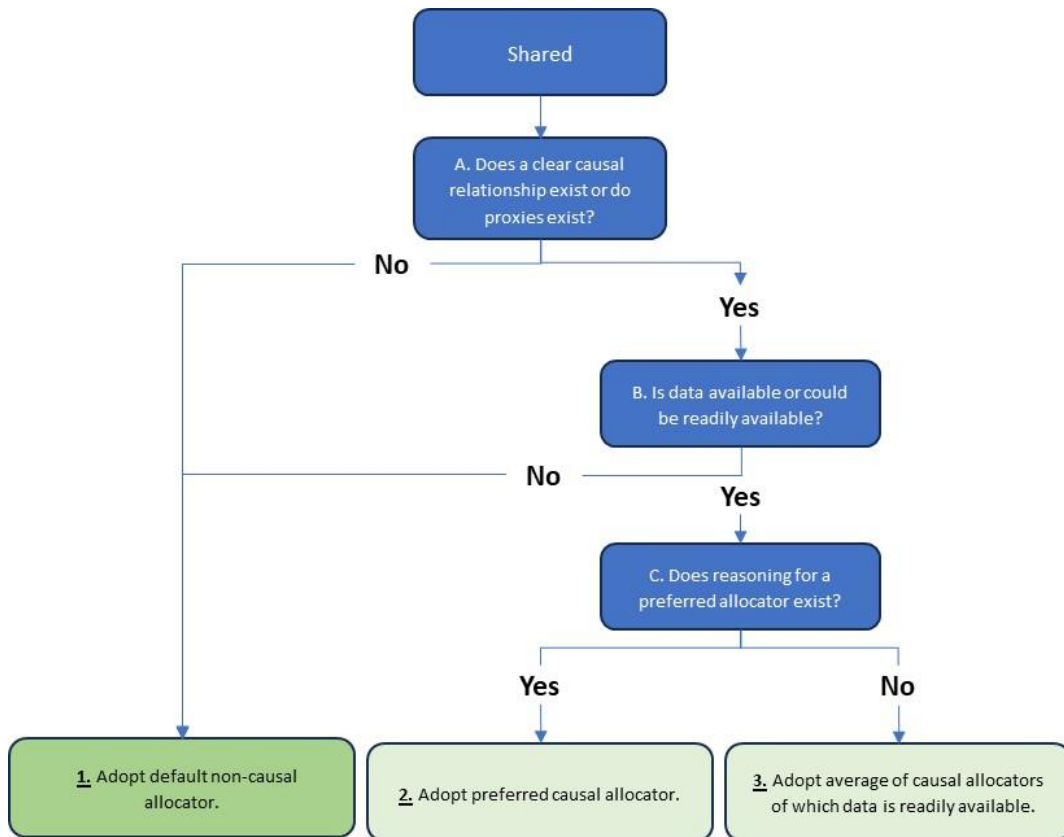
4.2 Methodology for cost allocation to products and services

The SAU establishes two categories of **nbn** services – Core Regulated Services and Competitive Services. The CAM describes a detailed methodology for allocating costs between those two categories of services. In order to produce consistent results when applying the CAM and these Accounting Procedures, the cost allocations which result from applying the CAM are used as the starting point for allocating those groups of costs to individual products and services when applying these Accounting Procedures.



Where a cost category is not directly attributable to a product or service either in part or wholly (i.e., the cost category is shared and requires allocation), the choice of allocator(s) for shared costs was achieved by following the decision tree process depicted below.

Figure 6. CAM allocation decision tree for shared costs



Other revenue and NNI products (described in Section 3.5 and 3.6) are very different in nature to the other products, which generally relate to carrying data traffic between a UNI and an NNI, or other handover point using Fixed Line, Fixed Wireless or Satellite technologies. When allocating shared costs, a unique allocator for each product and service, that is also common to all, is required. Allocators used in the CAM include variations of data traffic, premises or connection numbers, and revenues. However, the majority of these causal allocators cannot be applied to NNI and Other products, for example, NNI and other products do not have premises or connections numbers. Out of the causal allocators used in the CAM, only revenues are common across all products including NNI and Other products.

To accommodate the allocation of shared costs across a group of products and services including either NNI and/or Other products, the proportion of the shared costs attributable to the NNI and Other portions must be determined first based on proportional revenue. The residual balance (i.e. the initial CAM cost category balance less any NNI/Other balance) can then be allocated between individual Core Regulated Services and individual Competitive Services following the CAM allocation decision tree outlined in Figure 6 above.

This enables the Accounting Procedures to use the same (or closely comparable) causal allocator to apportion the residual balance of the cost category between individual products and services as was used to allocate between Core Regulated Services and Competitive Services within the CAM.



4.3 Cost allocation to NNI products

The allocation of NNI costs for each CAM Cost Category follows a 4-step approach:

- **Step 1** – each Cost Category is assessed via discussions with nbn’s SMEs and a review of relevant ERP data, to determine if the Cost Category includes NNI costs.
- **Step 2** – for those cost categories that include NNI related costs, determine if the costs are directly attributable to NNI or require allocation.
- **Step 3** –
 - **3a.** allocate directly attributable NNI costs to NNI services; and or
 - **3b.** allocate the shared NNI costs to NNI services using an appropriate allocator, determined by following the Figure 6 decision tree.
- **Step 4** – allocate the total NNI services cost balance between Core and Competitive services in the same proportion as the initial CAM Core/Competitive cost split for that cost category.

4.4 Cost allocation to Other revenue products

As described in Section 3.5 , there are certain miscellaneous revenues which are not categorised in the Accounting Separation procedures product list that have been categorised by nbn as Other revenue to ensure completeness and reconciliation back to total regulatory and statutory revenue results.

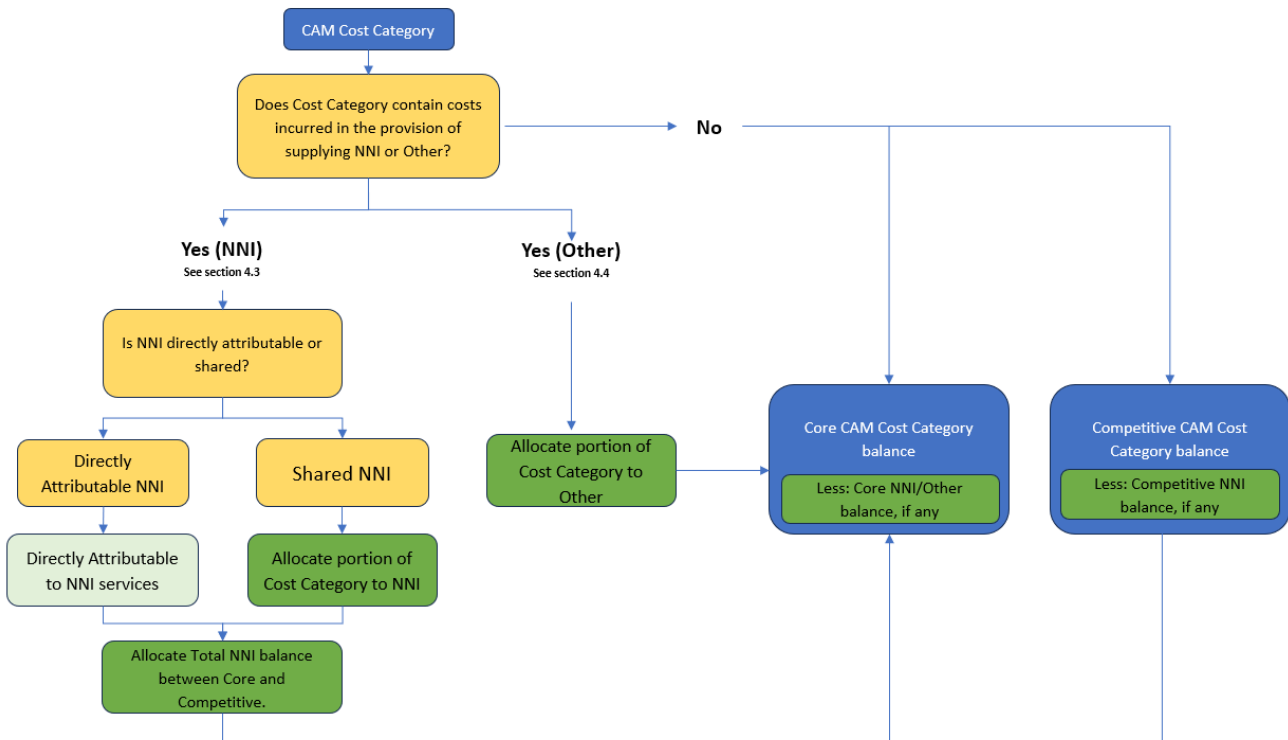
The causal allocators used in the CAM to allocate costs, which include variations of data traffic, premises or connection numbers, are not applicable to Other revenues. This means that the assessment of an appropriate cost allocator for Other revenue products will be determined as follows:

- All operating and capital expenditure CAM cost categories that have a causal allocator will be treated as having no Other cost component and will not be shared across Other revenue products; and
- All operating and capital expenditure CAM cost categories that have no causal allocator in the CAM, which are generally overhead or total company costs by nature, will be treated as having an Other cost component and will be shared across Other revenue products. These CAM cost categories being:
 - Network facilities (capex).
 - Non-network facilities (capex).
 - Employee benefits (opex).
 - Outsourced and corporate services (opex).
 - IT and software costs (opex).
 - Marketing and product costs (opex).
- Occupancy costs (opex)
 - Telecommunications Revenue Levy (opex).
 - Insurance (opex).
 - Other internal expenses (opex).



The attributable proportion of these costs to Other revenue products will be calculated based on the ratio of Other Revenue to Total SAU Revenue⁸. As Other revenue products are considered to be Core Regulated Services by nature these costs will be considered to be Core Regulated Services costs.

Figure 7 NNI and other allocation procedure



4.5 Allocation of residual Cost Category balances

4.5.1 Residual Core CAM costs by Cost Category

The procedure applied to the residual Core balance of each of the 56 (38 opex and 18 capex) CAM cost categories follows a 3-step process, outlined in Figure 8 and described below.

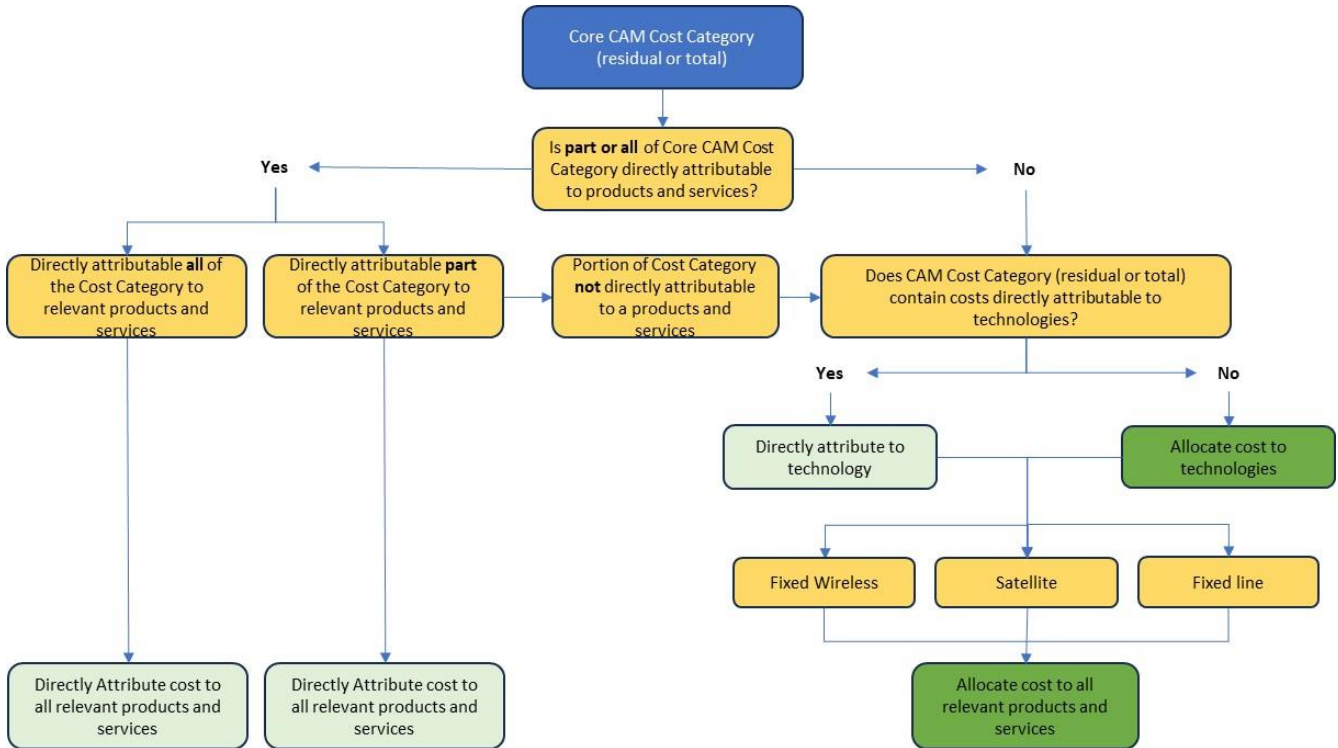
- **Step 1** – The residual portion (or total portion if no NNI or Other has been previously identified) of a Cost Category is assessed as to whether the entirety or part of the Cost Category can be directly attributed to a product or service. If it can be attributed to a service partly or wholly, that part (or whole, as relevant) is directly attributed to the relevant service, with any residual portion or entire Cost Category not directly attributed to a service addressed in step 2.
- **Step 2** - the residual balance from step 1 is allocated by network technology (Fixed Line, Fixed Wireless and Satellite).
 - Directly attributed costs based on general ledger coding are allocated directly to the relevant technology; and

⁸ Appendix A contains the definition of 'Total SAU Revenue'.



- Any residual costs that cannot be directly attributed to a technology are allocated to a technology using an appropriate allocator.
- **Step 3** – Each cost category by technology is then allocated to the products and services being provided using that technology based on an appropriate allocator.

Figure 8. Core CAM Cost Category procedure



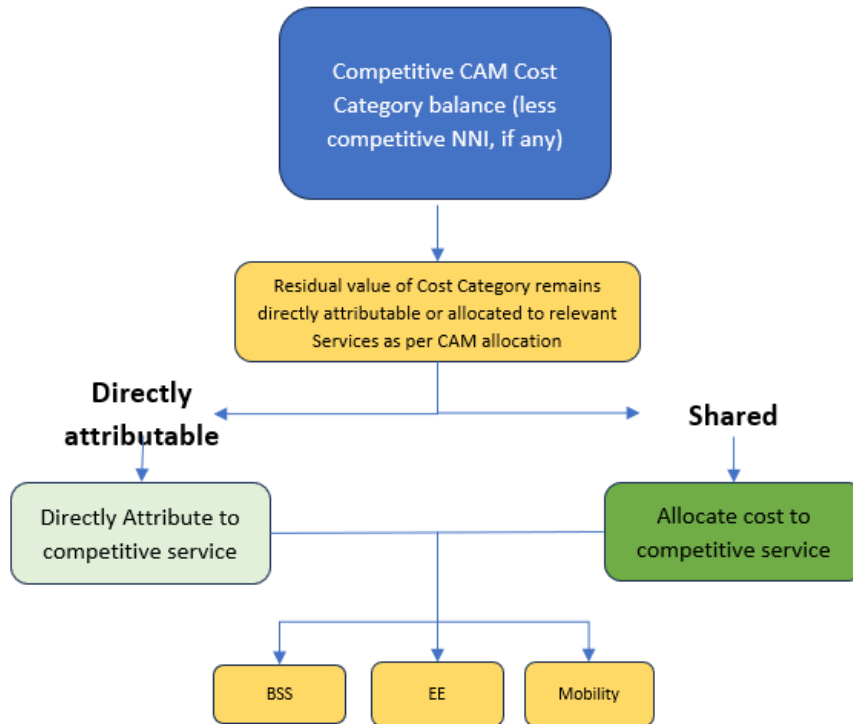
4.5.2 Residual Competitive CAM costs by Cost Category

The costs (opex and capex) allocated to Competitive services (EE, BSS and Mobility) within the CAM may have been determined via either direct attribution or the allocation of shared costs between Core Regulated Services and Competitive Services. However, the assessment as to whether any proportion of each Competitive cost category is directly attributable to one or more of the Competitive Services is made only against the other Competitive Services. This means that a substantial portion of the Competitive cost balance can be directly allocated, e.g. all Competitive balances in cost categories that only relate to Fixed Line technologies are directly attributable to EE as it is the only Fixed Line Competitive Service.

Shared Competitive costs are allocated between Competitive Services using an appropriate allocator, as determined using the decision tree in Figure 6.



Figure 9. Competitive CAM Cost Category procedure



4.6 Shared capital expenditure

Shared capital expenditure is capital expenditure that is not directly attributable to an individual product or service. Consistent with the Cost Allocation Principles, this shared capital expenditure is allocated to reflect causal relationships between supplying services and incurring costs (using an allocator for each asset type), unless establishing a causal relationship would require undue cost or effort in which case an alternative suitable allocator is used.

The shared capital expenditure categories and associated allocators used to allocate the residual shared capital costs (i.e. after allocating NNI and Other costs as described in Sections 4.3 and 4.4 respectively) are set out below in Table 3.



Table 3: Shared Capital expenditure categories

CAM Cost Group	CAM Description	Includes NNI	NNI Allocator	Includes Other	Other Allocator	Technology Allocation (based upon CAM description and GL coding by technology)	Allocation to Services within technology group
Customer Connection Assets (except EE)	Costs to complete installation at an end user premises. This includes modem and network termination devices required.	No	N/A	No	N/A	1. Core Fixed Line 2. Core Fixed Wireless	1. Active Services – LTD (Fixed Line) 2. Active Services – LTD (Fixed Wireless)
Customer Connection Assets (EE services)	Direct capital costs of installing and activating the EE service at the end user premises. Includes customer connection, and installation of a business network termination device required to deliver EE services.	No	N/A	No	N/A	Competitive - EE	N/A – Allocated to EE as per CAM category
FTTN/B network assets	Capital expenditure on copper specific network infrastructure including copper nodes, cards and cabinets, and copper cable and joints used in the delivery of services via the FTTN/B network.	No	N/A	No	N/A	Core Fixed Line	Average estimated network data traffic - YTD (Core FTTN/B Fixed Line services)
FTTC network assets	Capital expenditure on copper specific network infrastructure including Distribution Point Units (DPUs), and copper cable and joints used in the delivery of services via the FTTC network.	No	N/A	No	N/A	Core Fixed Line	Average estimated network data traffic - YTD (Core FTTC Fixed Line services)
HFC network assets	Capital expenditure on HFC specific network infrastructure including coaxial cables, amplifiers and taps, optical nodes, radio frequency combiners and Cable Modem Termination system (CMTS) assets used in the delivery of services via the HFC network.	No	N/A	No	N/A	Core Fixed Line	Average estimated network data traffic - YTD (Core HFC Fixed Line services)
Fixed Wireless network assets	Capital expenditure on Fixed Wireless specific network infrastructure including RAN and microwave transmission antennae and backhaul assets used in the delivery of services via the Fixed Wireless network.	No	N/A	No	N/A	Core Fixed Wireless	Average estimated network data traffic - YTD (Fixed Wireless services)
Telstra Infrastructure Ownership assets	Legacy infrastructure assets acquired from Telstra under the Telstra Arrangements, including Lead in Conduits, copper assets, HFC assets and poles used to transport cabling to the end user premises.	No	N/A	No	N/A	Core Fixed Line	Average estimated network data traffic - YTD (Core Fixed Line services)
Satellite (excluding BSS and Satellite Mobility)	Costs to complete installation of a Satellite service at an end user premises.	No	N/A	No	N/A	Core Satellite	Average estimated network data traffic - YTD (Core satellite services)



CAM Cost Group	CAM Description	Includes NNI	NNI Allocator	Includes Other	Other Allocator	Technology Allocation (based upon CAM description and GL coding by technology)	Allocation to Services within technology group
Business Satellite Services	Direct capital costs identified within BSS projects capitalised in the fixed asset register.	No	N/A	No	N/A	Competitive - BSS	N/A – Allocated to BSS as per CAM category
Satellite Mobility	Direct capital costs identified within Satellite Mobility projects capitalised in the fixed asset register.	No	N/A	No	N/A	Competitive - Satellite Mobility	N/A – Allocated to Satellite Mobility as per CAM category
Transit (Non-Competitive)	Expenditure on fibre aggregation equipment that solely supports technology specific data aggregation outside of any Competitive services, such as Optical Line Terminals (OLTs).	No	N/A	No	N/A	Core Fixed Line	Average estimated network data traffic - YTD (Core FTTP/C Fixed Line services)
Fibre network assets (excluding customer connections)	Capital expenditure related to construction of fibre optic cable network. All Fixed Line technologies utilise at least part of the fibre network to provide data transmission to the POIs.	No	N/A	No	N/A	All Fixed Line	Average estimated network data traffic - YTD (Fixed Line services)
Civil infrastructure assets (excluding customer connections)	This expenditure consists of supporting civil infrastructure assets, such as ducts and pits, that are used to transport Fixed Line broadband data between the transit network and the technology specific local networks.	No	N/A	No	N/A	All Fixed Line	Average estimated network data traffic - YTD (Fixed Line services)
Satellite (Shared)	Capital expenditure on satellite specific equipment that is used to support both Core and Competitive satellite services, including radio frequency (RF) management, disaster response equipment, baseband and RF Gateway assets.	No	N/A	No	N/A	Core and Competitive satellite	<ol style="list-style-type: none"> Average estimated network data traffic - YTD (Core satellite services) Average estimated network data traffic - YTD (BSS and Satellite Mobility services)
Transit (Shared)	This cost group contains transit equipment that is used to support all network technologies, such as Ethernet Aggregation, switches at POIs, Dense Wavelength Division Multiplexing (DWDM) transmission over transit fibre cables, Optical Distribution Frames and network management assets.	Yes	NNI Revenue as Proportion of Total SAU Revenue	No	N/A	All technologies based on CAM allocator	Average estimated network data traffic - YTD (all services)



CAM Cost Group	CAM Description	Includes NNI	NNI Allocator	Includes Other	Other Allocator	Technology Allocation (based upon CAM description and GL coding by technology)	Allocation to Services within technology group
Network facilities	Capitalised building improvements at nbn's Transit Aggregation Nodes and Depots (TAND's), e.g., boom gates, office equipment etc	Yes	NNI Revenue as proportion of Total SAU Revenue	Yes	Other Revenue as proportion of Total SAU Revenue	All technologies based on CAM allocator	Allocate to services based on average of active services and telecommunications revenue
Non-network assets	Assets used to run the administrative side of nbn – e.g. Office buildings and leasehold improvements, furniture and equipment, IT equipment and licensed software.	Yes	NNI Revenue as proportion of Total SAU Revenue	Yes	Other Revenue as proportion of Total SAU Revenue	All technologies based on CAM allocator	Allocate to services based on average of active services and telecommunications revenue
Transit (Access Aggregation Switch)	Capital expenditure to increase the number of AAS racks in the network is required to support the aggregation of FTTN, FTTB and EE services.	No	N/A	No	N/A	<ol style="list-style-type: none"> Core Fixed Line Enterprise Ethernet 	<ol style="list-style-type: none"> Average estimated network data traffic - YTD (Core FTTN/B Fixed Line services) N/A Allocated to Enterprise Ethernet as per CAM category



4.7 Shared operating expenditure

Shared operating expenditure is operating expenditure that is not directly attributable to an individual product or service. Consistent with the Cost Allocation Principles, this shared operating expenditure is allocated to reflect causal relationships between supplying services and incurring costs (using an allocator for each asset type), unless establishing a causal relationship would require undue cost or effort in which case an alternative suitable allocator is used.

The shared operating expenditure categories and associated allocators used to allocate the residual shared operating costs (i.e. after allocating NNI and Other costs as described in Sections 4.3 and 4.4 respectively) are set out below in Table 4.



Table 4: Shared Operating expenditure categories

CAM Cost Group	CAM Description	Includes NNI	NNI Allocator	Includes Other	Other Allocator	Technology Allocation (based on CAM description and Trial Balance coding by technology)	Allocation to Services within technology group
All costs recorded directly to BSS and Satellite Mobility cost centres	<p>Direct BSS and mobility operational costs are captured within specific BSS and Mobility cost centres.</p> <p>These costs include, Satellite outsourced services, Network assurance, Other network costs and Employee benefits expense.</p>	No	N/A	No	N/A	Allocated to BSS and Aerial Mobility based on the cost centre	Allocated to BSS and Aerial Mobility based on the cost centre
Network Operating Costs							
Network Power	Electricity costs to power nbn equipment at network sites other than Telstra exchanges, applying to FTTN, FTTB, FTTP (Temporary Fibre Access Nodes in Greenfield developments which house OLT equipment which are not used to aggregate EE services), HFC and Fixed Wireless.	No	N/A	No	N/A	Allocated across Core Fixed Line and Fixed Wireless based on GL coding by technology	<ol style="list-style-type: none"> 1. Average estimated network data traffic - YTD (Core Fixed Line services) 2. Average estimated network data traffic - YTD (Fixed Wireless services)
Spectrum / Apparatus Licenses - Fixed Wireless	Costs of acquiring access to radio spectrum for the Fixed Wireless network.	No	N/A	No	N/A	All Fixed Wireless costs as per CAM category	Average estimated network data traffic - YTD (Fixed Wireless services)
Site and network access - Fixed Wireless	Costs for Fixed Wireless sites, which includes rental payments and outgoings, electricity (excluding network power costs) and facility maintenance.	No	N/A	No	N/A	All Fixed Wireless costs as per CAM category	Average estimated network data traffic - YTD (Fixed Wireless services)
Satellite Outsourced Services - Satellite (ex BSS and Satellite Mobility)	Cost of managing Satellite services by third party contractors (excluding outsourced service costs allocated to BSS or Mobility cost centres – which are already treated as being directly attributable due to the cost centre allocation).	No	N/A	No	N/A	All Core satellite costs as per CAM category.	SkyMuster Plus: Directly attributable Satellite TC-4 remaining balance
Telstra Infrastructure Leases - racks	This category of costs is for leasing rack space within Telstra exchanges. nbn locates transit equipment in these racks which perform aggregation or DWDM transmission roles in the network.	Yes	NNI Revenue as Proportion of Total SAU Revenue	No	N/A	Allocated across Fixed Line (inc. EE) and Fixed Wireless as per CAM category	<ol style="list-style-type: none"> 1. Average estimated network data traffic - YTD (all Fixed Line services) 2. Average estimated network data traffic - YTD (Fixed Wireless services)



CAM Cost Group	CAM Description	Includes NNI	NNI Allocator	Includes Other	Other Allocator	Technology Allocation (based on CAM description and Trial Balance coding by technology)	Allocation to Services within technology group
Telstra Infrastructure Leases - ducts	This category of costs is for leasing Telstra duct and pit infrastructure through which nbn cabling and equipment can be routed. This occurs across the Fixed Line network.	No	N/A	No	N/A	Allocated across Fixed Line (inc. EE) as per CAM category	Ready to Connect - LTD (all Fixed Line services)
Telstra Infrastructure Leases - dark fibre	This category of costs is for leasing Telstra dark fibre that is used to provide connectivity between nbn POIs and Aggregation nodes with point-to-point fibre. These leased dark fibres form part of nbn's transit network.	No	N/A	No	N/A	Allocated across Fixed Line (inc. EE) and Fixed Wireless as per CAM category	1. Average estimated network data traffic - YTD (all Fixed Line services) 2. Average estimated network data traffic - YTD (Fixed Wireless services)
Pole Rental	In certain areas, nbn connects its local fixed line networks and lead ins via aerial equipment utilising telecommunications poles. The majority of these poles are not nbn-owned and nbn has entered into Pole Rental agreements with the infrastructure owners. Although pole lead-ins and local connections are not used to deliver EE or Satellite products, poles may be used in the distribution fibre network and therefore the cost has been treated as a shared cost.	No	N/A	No	N/A	Allocated across Fixed Line (inc. EE) as per CAM category	Average estimated network data traffic - YTD (all Fixed Line services)
Managed Service Backhaul	Costs of leasing backhaul links from third-party providers that are used as part of nbn's distribution and transit network.	No	N/A	No	N/A	Allocated across all services using CAM allocator	Average estimated network data traffic - YTD (all services)
Rack Power - transit	Electricity costs to power nbn equipment in Telstra exchanges under the Telstra Arrangements. This is the equipment operated in the rack space leased from Telstra. Rather than procure separate power to these exchanges – nbn has agreed to pay a proportion of Telstra's energy costs at these locations.	Yes	NNI Revenue as Proportion of Total SAU Revenue	No	N/A	Allocated across all services using CAM allocator	Average estimated network data traffic - YTD (all services)
Spectrum / Apparatus Licenses - Satellite, BSS and Satellite Mobility	Costs of acquiring access to radio spectrum for the Satellite, BSS & Satellite Mobility networks.	No	N/A	No	N/A	Core and Competitive satellite as per CAM and GL coding by technology	Average estimated network data traffic - YTD (all satellite services)



CAM Cost Group	CAM Description	Includes NNI	NNI Allocator	Includes Other	Other Allocator	Technology Allocation (based on CAM description and Trial Balance coding by technology)	Allocation to Services within technology group
Site and network access - Satellite	Costs incurred to access and operate Satellite earth stations, which includes rental payments and outgoings, electricity (excluding network power costs) and facility maintenance.	No	N/A	No	N/A	Core and Competitive satellite as per CAM and GL coding by technology	Average estimated network data traffic - YTD (all satellite services)
Site and network access - Transit	Costs for Transit Aggregation Nodes and Depots (TAND), which includes rental payments and outgoings, electricity (excluding network power costs) and facility maintenance.	Yes	NNI Revenue as Proportion of Total SAU Revenue	No	N/A	Allocated across all services using CAM allocator	Average estimated network data traffic - YTD (all services)
Assurance restoration & maintenance costs							
Service Assurance - FTTP (ex FTTP), HFC, Fixed Wireless	Costs incurred by NBN to deliver required levels of service and connectivity. These are linked to service faults and may require on-premises testing and rectification.	No	N/A	No	N/A	Allocated across Core Fixed Line and Fixed Wireless based on GL coding by technology	1. Active services - YTD (Core Fixed Line services (ex FTTP)) 2. Active services - YTD (Fixed Wireless services)
Service Assurance - Satellite (ex BSS and Satellite Mobility)	Service assurance costs for BSS and Satellite Mobility have been outsourced and are covered under the outsourced services costs included in the BSS and Satellite Mobility cost centres. The remaining Satellite service assurance costs are therefore all directly attributable to Core Regulated Services.	No	N/A	No	N/A	All Core satellite as per CAM category	Active services - YTD (Core Satellite)
Network Assurance FTTP (ex FTTP), HFC, Fixed Wireless	Costs to meet the required level of network assurance within the shared parts of networks. These costs are recorded by technology based upon the network technology used to deliver the service that required the network assurance work. As no Competitive Services are delivered over FTTP, FTTB, FTTC, HFC or Fixed Wireless technology, the costs recorded against these technologies are directly attributable to Core Regulated Services.	No	N/A	No	N/A	Allocated across Core Fixed Line and Fixed Wireless based on GL coding by technology	1. Average estimated network data traffic - YTD (Core Fixed Line services (ex FTTP)) 2. Average estimated network data traffic - YTD (Fixed Wireless services)



CAM Cost Group	CAM Description	Includes NNI	NNI Allocator	Includes Other	Other Allocator	Technology Allocation (based on CAM description and Trial Balance coding by technology)	Allocation to Services within technology group
Network Maintenance - FTTX (ex FTTP), HFC, Fixed Wireless	Costs incurred to perform both proactive and reactive maintenance upon the network. These costs are recorded by technology based upon the network technology used to deliver the service that required the maintenance work. As no Competitive Services are delivered over FTTN, FTTB, FTTC, HFC or Fixed Wireless technology, the costs recorded against these technologies are directly attributable to Core Regulated Services.	No	N/A	No	N/A	Allocated across Core Fixed Line and Fixed Wireless based on GL coding by technology	1. Average estimated network data traffic - YTD (Core Fixed Line services) 2. Average estimated network data traffic - YTD (Fixed Wireless services)
End User Not in Attendance costs (ex EE and Satellite)	The cost of truck rolls where the end-user is not at the premises when the technician arrives which cannot be recovered or capitalised (excludes Competitive and Satellite services which have different customer connection processes).	No	N/A	No	N/A	Allocated across Core Fixed Line	Active services - YTD (Core Fixed Line)
Service Assurance - FTTP	EE services are delivered over FTTP technology, and any service assurance costs are therefore recorded against FTTP alongside Core FTTP services.	No	N/A	No	N/A	Allocated across FTTP Fixed Line and EE as per CAM allocation	Average estimated network data traffic - YTD (all FTTP services)
Network Assurance - FTTP	Costs to meet the required level of network assurance within the shared parts of the FTTP network. EE services are delivered over FTTP technology, and any network assurance costs are therefore recorded against FTTP alongside Core FTTP services.	No	N/A	No	N/A	Allocated across FTTP Fixed Line and EE as per CAM allocation	Average estimated network data traffic - YTD (all FTTP services)
Network Assurance - Satellite	Costs to meet the required level of network assurance within the shared parts of the Satellite network. BSS and mobility services are delivered over nbn's satellite network.	No	N/A	No	N/A	Allocated across Core satellite, BSS and Mobility as per CAM allocation	Average estimated network data traffic - YTD (all satellite services)
Network Assurance - Transit	nbn network wide faults, that are not related to network usage, impacting all services.	Yes	NNI Revenue as proportion of Total SAU Revenue	No	N/A	Allocated across all services using CAM allocator	Average estimated network data traffic - YTD (all services)



CAM Cost Group	CAM Description	Includes NNI	NNI Allocator	Includes Other	Other Allocator	Technology Allocation (based on CAM description and Trial Balance coding by technology)	Allocation to Services within technology group
Network Maintenance - FTTP	Costs attributable to both proactive and reactive maintenance for degradation of the FTTP network, which are forecast on a similar basis to Network Assurance.	No	N/A	No	N/A	Allocated across FTTP Fixed Line and EE as per CAM allocation	Average estimated network data traffic - YTD (all FTTP services)
Network Maintenance - Transit	Transit costs attributable to both proactive and reactive maintenance for degradation of networks, which are forecast on a similar basis to Network Assurance.	Yes	NNI Revenue as proportion of Total SAU Revenue	No	N/A	Allocated across all services using CAM allocator	Average estimated network data traffic - YTD (all services)
Network Maintenance - Poles	Costs incurred to inspect and maintain Telecommunications Revenue poles. In certain areas, nbn connects its local fixed line networks and lead ins via aerial equipment utilising Telecommunications Revenue poles. Although pole lead-ins and local connections are not used to deliver EE or Satellite products, poles may be used in the distribution fibre network and therefore the maintenance cost has been treated as a shared cost.	No	N/A	No	N/A	Allocated across Fixed Line and EE as per CAM allocation	Average estimated network data traffic - YTD (all Fixed Line services)
Other network costs							
Freight Distribution and Supply Chain	Costs for delivery of inventory, warehouse operations and freight, related to the management of inventory used to build and maintain the network, based on contracted rates with vendors.	Yes	NNI Revenue as proportion of Total SAU Revenue	No	N/A	Allocated across all services based on GL coding by technology, with transit allocated based on Active Services - YTD	Active Services - YTD (all services)
Vendor Support Contract Costs	Costs related to warranty support payments and other services to third parties related to equipment that forms part of the nbn network. Consists of contracts with multiple vendors, independent of volume of support or equipment faults.	No	N/A	No	N/A	Allocated across all services based on GL coding by technology, with transit allocated based on Active Services - YTD	Active Services - YTD (all services)
Other Costs (including fleet vehicles)	Costs include fleet vehicles, security, damages and recoverable works that are based on contracted rates with vendors.	No	N/A	No	N/A	Allocated across all services using CAM allocator	Active Services - YTD (all services)



CAM Cost Group	CAM Description	Includes NNI	NNI Allocator	Includes Other	Other Allocator	Technology Allocation (based on CAM description and Trial Balance coding by technology)	Allocation to Services within technology group
Employee benefits expense							
Employee benefits expense	Labour costs for nbn’s internal workforce (including internal field technicians) required for the day-to-day operating of nbn, comprising Full Time Equivalents (FTEs) and Temporary Staff Arrangements (TSAs).	Yes	NNI Revenue as proportion of Total SAU Revenue	Yes	Other Revenue as proportion of Total SAU Revenue	Allocated based on cost centre analysis	Average of Active Services - YTD (all services) and Telecommunications Revenue – YTD (all services)
Other operating costs							
Outsourced and corporate services	This relates to work associated with outsourced accounts payable functions, IT helpdesk functions and extended workforce arrangements, and costs associated with external legal and consulting services.	Yes	NNI Revenue as proportion of Total SAU Revenue	Yes	Other Revenue as proportion of Total SAU Revenue	Allocated across all services based on GL coding by technology, with transit allocated based on CAM allocator	Average of Active Services - YTD (all services) and Telecommunications Revenue – YTD (all services)
IT and software costs	IT and Software requirements for network build and operation for employees and network assets.	Yes	NNI Revenue as proportion of Total SAU Revenue	Yes	Other Revenue as proportion of Total SAU Revenue	Allocated across all services using CAM allocator	Average of Active Services - YTD (all services) and Telecommunications Revenue – YTD (all services)
Marketing and product costs	Costs for Advertising & Media, Customer Marketing Programs, Direct Marketing & Partnerships, and Other Marketing and Product Costs.	Yes	NNI Revenue as proportion of Total SAU Revenue	Yes	Other Revenue as proportion of Total SAU Revenue	Allocated across all services using CAM allocator	Average of Active Services - YTD (all services) and Telecommunications Revenue – YTD (all services)
Occupancy costs	Costs of office accommodation, rental, and non-network facilities.	Yes	NNI Revenue as proportion of Total SAU Revenue	Yes	Other Revenue as proportion of Total SAU Revenue	Allocated across all services using CAM allocator	Average of Active Services - YTD (all services) and Telecommunications Revenue – YTD (all services)
Telecommunications Revenue Levy (TIL)	nbn’s share of Telecommunications Revenue Universal Service Management Levy applying to all services.	Yes	NNI Revenue as proportion of Total SAU Revenue	Yes	Other Revenue as proportion of Total SAU Revenue	Allocated across all services using CAM allocator	Average of Active Services - YTD (all services) and Telecommunications Revenue – YTD (all services)
Insurance	Insurance costs to protect nbn and its assets, including professional indemnity, directors’ and officers’ insurance, general and public liability, and cyber liability.	Yes	NNI Revenue as proportion of Total SAU Revenue	Yes	Other Revenue as proportion of Total SAU Revenue	Allocated across all services based on GL coding by technology, with transit allocated based on CAM allocator	Average of Active Services - YTD (all services) and Telecommunications Revenue – YTD (all services)



CAM Cost Group	CAM Description	Includes NNI	NNI Allocator	Includes Other	Other Allocator	Technology Allocation (based on CAM description and Trial Balance coding by technology)	Allocation to Services within technology group
Other internal expenses	Costs associated with corporate wide accounting, tax and audit fees, recruitment costs, training and development, corporate communications, office supplies and subscriptions, travel and entertainment and other.	Yes	NNI Revenue as proportion of Total SAU Revenue	Yes	Other Revenue as proportion of Total SAU Revenue	Allocated across all services using CAM allocator	Average of Active Services - YTD (all services) and Telecommunications Revenue – YTD (all services)



5 Accounting Separation

5.1 Scope, form and timing

For the purposes of clause 21.6(b)(i) of the SAU, the scope, form and timing of **nbn**'s reporting to the ACCC will be as follows.

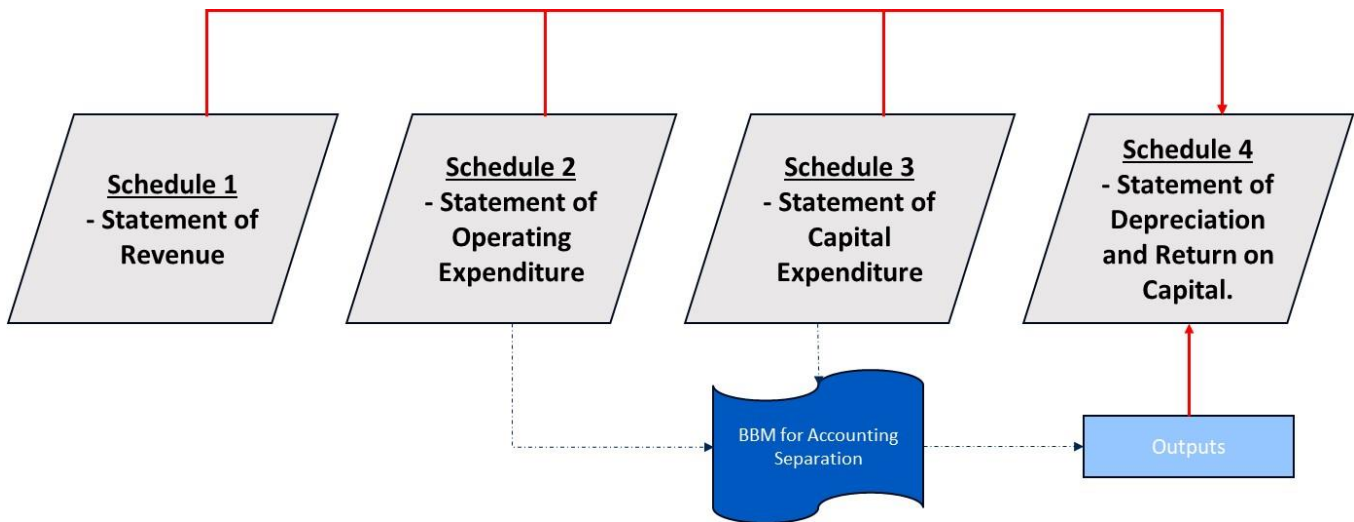
- **Scope** - the reporting will comprise:
 - **nbn**'s Revenue, Operating Expenditure (Opex) and Capital Expenditure (Capex), as those terms are defined in the SAU, in respect of the most recently completed Financial Year, and using the basis of preparation as described in section 5.2 below;
 - splits between Core Regulated Services (as a group) and Competitive Services (as a group);
 - further splits between the products and services subject to Accounting Separation under clause 21.6; and
 - The Depreciation, Asset Base and Return on Capital calculated using the BBM for Accounting Separation – these are to be presented on a consolidated (total) and a Core Regulated Services basis, with Competitive Services (as a group) to be presented as the difference between the two.
- **Form** – the reporting will take the form of four schedules (collectively the “SAU – Accounting Separation Report”) that each present a consolidated, Core Regulated Services, Competitive Services and product/service split (The Schedules will be materially consistent with the wireframes in the Appendix):
 - Schedule 1 – Statement of Revenue;
 - Schedule 2 – Statement of Operating Expenditure;
 - Schedule 3 – Statement of Capital Expenditure; and
 - Schedule 4 – Statement of Depreciation and Return on Capital.
- **Timing** – reporting to the ACCC will be:
 - by 31 October after the end of each Financial Year. This is consistent with the timing for expenditure and price reporting under clause 2F.7 of the SAU; and
 - commence after the Accounting Separation Establishment Date.

5.2 Approach to construction of Schedule 4

Section 5 outlines the details of the scope, form and timing of reporting for Accounting Separation. Specifically, **nbn** will report four schedules, where Schedules 1 to 3 report on the outcomes of the Accounting Procedures, and Schedule 4 provides an overall report showing the outcomes from both Schedules 1 to 3 and the **nbn** Building Block Model (BBM) for Accounting Separation, which is a variation of the **nbn** BBM relevant to Schedule 2G of the SAU outlined in the below section.

The general process followed to generate the BBM for Accounting Separation outputs required to complete Schedule 4 is outlined below.

Figure 7: Generation of Schedule 4



The solid red lines in Figure 7 represent inputs to Schedule 4 that are the outputs of Schedules 1 to 3 and the outputs of the BBM for Accounting Separation.

The dotted black lines represent inputs into the BBM for Accounting Separation used to generate unique BBM outputs.

5.3 BBM for Accounting Separation

The BBM for Accounting Separation is to be used **for Accounting Separation purposes only** and will be based on the general regulatory accounting principles that are applied to CAM and the building block framework in the SAU. The BBM for Accounting Separation will provide for the calculation of a separate opening asset base as of FY22 between Core Regulated Services (as a category) and Competitive Services (as a category) based on the split of Capital Expenditure and Operating Expenditure in accordance with the Proposed CAM. This will have a consequential impact on related depreciation and return on capital for the Core and Competitive categories within Schedule 4 and will result in differences between the BBM under the SAU generally and the BBM for Accounting Separation.

5.4 Basis of preparation

nbn will prepare the Accounting Separation Report based on Australian Accounting Standards, except as noted below in this Section 5.5 where an “Alternate Accounting Treatment” (AAT) has been adopted⁹.

⁹ Prior to 1 July 2015, nbn previously accounted for the payments of Migration Fees as part expense and part capitalised intangible asset, with the intangible asset being depreciated over time. This previous treatment was inconsistent with the treatment within the SAU’s BBM approach, which expensed the full Migration Fee within Operating Expenditure. From 1 July 2015, nbn accounted for these payments as an expense only, which aligns to the treatment of Migration Fees within the BBM approach.



5.5 Alternative Accounting Treatments

5.5.1 Right of Use Assets under Lease Arrangements

nbn accounts for its contractual right to use various assets, including: duct infrastructure, exchange sites, dark fibre, business premises, fleet vehicles, wireless tower sites and aggregation nodes, as finance leases over property, plant and equipment. In accordance with AASB 16, this involves recognising a lease liability equivalent to the net present value of future lease payments and capitalising a right of use (ROU) asset for the equivalent value. After initial recognition, **nbn** amortises the value of the ROU asset over the lease term and recognises a notional interest expense each year on the residual value of the lease liability. This accounting approach is inconsistent with the approach used in the SAU's Building Block Model (BBM), where ROU assets are excluded from capital expenditure and leasing payments are included as operating expenditure. Therefore, for the purposes of the SAU – Accounting Separation Report, the payments for ROU assets under lease arrangements are brought to account on a cash basis and included within Operating Expenditure each year.

5.5.2 Assets received for Zero Consideration & Government Grants

Through its New Development agreements with property developers, **nbn** receives Pit and Pipe assets at no cost. Assets have also been received for zero cost under Government Grants. These items are capitalised as assets with an equivalent deferred gain recognised. The asset and the deferred gain are depreciated and brought to account into the profit and loss statement over the useful life of the asset.

For the purposes of the Statement of Capital Expenditure (see Appendix B, Schedule 3), the effects of these transactions are reversed such that the relevant assets are ascribed a zero Capital Expenditure value and no gain is recognised in revenue.

For corporate tax purposes, however, the value of assets received for zero consideration is treated as assessable income in the year in which **nbn** takes ownership of the assets, and results in tax depreciation over time. This tax treatment is reflected in the calculations underpinning the Statement of ABBRR and RAB items (Schedule 4).

5.5.3 Construction in Progress

nbn recognises in the carrying amount of an item of property, plant and equipment the value of assets in the course of construction. For the purposes of the SAU – Accounting Separation Report, consistent with the BBM approach, construction in progress is not allocated to items of property, plant and equipment or intangible assets, and is reported as an aggregate value as at the start and end of each financial year.

Construction in Progress includes Working Inventory, which comprises equipment held by **nbn** before being incorporated into particular construction projects. It is distinct in this regard from Spares Inventory, which comprises equipment held for network maintenance purposes and has a separate AAT (see below).

5.5.4 Inventory (Spares)

For the purposes of the SAU – Accounting Separation Report, net increases in Inventory (Spares) are included as additions to Capital Expenditure, while net decreases in Inventory (Spares) are included as Disposals. **nbn** recognises the Inventory (Spares) as part of Property, Plant & Equipment as they are associated with the construction of the network assets. Therefore, for the SAU – Accounting Separation Report, inventory spares are treated as a non-depreciable asset with increases and decreases considered to be additions or disposals.



5.5.5 Provisions

For the purpose of the SAU – Accounting Separation Report, provisions are omitted from Capital Expenditure and Operating Expenditure. These provisions, including employee benefit provisions and asset retirement obligation provisions, are recognised under accounting standards as they represent the estimates of a present obligation that has arisen due to a past event. This accounting concept is not necessarily the same as a fully incurred pending cash outflow. As such, movements in these provisions are excluded from Operating Expenditure to better reflect the cash payments made during the period.

5.5.6 SAU Revenue items

For the purposes of the SAU – Accounting Separation Report, revenue is defined to exclude:

- Rebates paid in connection with service standard commitments;
- any amounts which **NBN** Co receives or is entitled to receive by way of grant or distribution under the Regional Broadband Scheme; and
- any Capital Contributions.

nbn accounts for these items as revenue in accordance with AASB 15 and AASB 120.

Rebates paid in connection with service standard commitments

For the purposes of the SAU – Accounting Separation Report, these rebates are treated as operating expenditure and included within the Statement of Operating Expenditure (see Appendix B, Schedule 2). This differs to the statutory accounting treatment for these rebates, which requires these rebates to offset the revenue earned from the services to which they relate.

Regional Broadband Scheme Receipts

For the purposes of the SAU – Accounting Separation Report, these receipts are excluded from the Statement of Revenue (see Appendix B, Schedule 1). They are recognised as income within the statutory accounts over the period to which they relate.

Capital Contributions

For the purposes of the Statement of Capital Expenditure (see Appendix B, Schedule 3), the effects of Capital Contributions are reversed such that the relevant capital assets are ascribed a zero Capital Expenditure value and no gain is recognised in revenue.



6 Record maintenance, compliance and external assurance

6.1 Record maintenance

nbn will maintain records of cost attributions and shared costs, and revenue attributions and shared revenues, as follows:

Financial records will be kept in **nbn**'s financial systems;

- **nbn**'s annual audited financial statements and underlying accounting records will form the basis of the information to which the Accounting Procedures will be applied; and
- financial models applied to allocate costs to Core Regulated and Competitive Services, and to the products and services subject to Accounting Separation will be retained by **nbn** in accordance with **nbn**'s financial records retention policy.

These records will be maintained by **nbn** to:

- demonstrate the attribution of costs/revenues to, or allocation of costs/revenues between, Core Regulated and Competitive Services and between product and services subject to Accounting Separation in accordance with the Accounting Procedures; and
- allow attributions and allocations to be audited or otherwise reviewed by a third-party independent auditor, as required.

6.2 Compliance monitoring

nbn will implement processes and controls to monitor compliance with the CAM and the Accounting Procedures. Through these processes and controls, **nbn** will satisfy itself that costs and revenues have been correctly attributed to the relevant service category and that the cost and revenue allocators have been correctly calculated and applied in a manner which reflects the methodology outlined in the CAM and these Accounting Procedures.

6.3 External assurance

nbn will undertake external assurance regarding the Accounting Separation Report. This may involve the following.

- Reasonable assurance audit in regard to the consolidated Capex, Opex and Revenue aspects of Schedules 1 to 3 in the Accounting Separation Report – this will complement the existing auditing around the **nbn** General Purpose Financial Statement and focus on the application of the Alternate Accounting Treatments in the Basis of Preparation set out in Section 5.5 .
- 'Agreed upon procedures' engagement in regard to the attribution and allocation of costs and revenues under the CAM and the Accounting Procedures.



Appendix A: Definitions of shared cost and revenue allocators

Ready-to-Connect – Lifetime-to-Date (LTD)

Description

A measure of the share of available footprint by technology/service that is used to allocate network costs driven by the total size of the **nbn** network footprint.

Definition

The count of number of premises that have a Ready-to-Connect status at the end of the financial year.

For Core Regulated Services, a premises is Ready-to-Connect when a **nbn** service order can be placed, i.e., RSPs are able to begin selling services over the **nbn**[®] network, and the service can be connected within an area that has been declared ready for service.

For Competitive Services the number of premises Ready-to-Connect equals the number of Active Premises.

Allocator calculation

Calculated as the percentage of premises Ready-to-Connect by technology/service of the total number of Ready-to-Connect premises for all technologies/services.

Active Premises - Lifetime-to-Date (LTD)

Description

A measure of the share of end-users on the **nbn**[®] Network by technology/service that is used to allocate network costs driven by the number of end-users.

Definition

Count of premises that have at least one active Access Virtual Circuit (AVC) service (or equivalent for Competitive Services) at the end of the financial year.

Allocator calculation

Calculated as the percentage of active premises by technology/service of the total number of active premises for all technologies/services.

Active Services - Lifetime-to-Date (LTD)

Description

A measure of the share of end-users on the **nbn**[®] Network by technology/service that is used to allocate network costs driven by the number of end-users.

Definition

A count of Access Virtual Circuit (AVC) services, at a point in time, that have an active connection to the **nbn** network enabling high speed broadband services and phone services at the end of the financial year.



Allocator calculation

Calculated as the percentage of active services by technology/service of the total number of active services for all technologies/services.

Average estimated network data traffic (YTD)

Description

A measure of the share of the maximum data traffic for active services per technology/service that may flow through the **nbn**[®] Network, used to allocate costs that are driven by data traffic.

Definition

The estimated maximum data traffic of the ordered speed of active services that may flow through the **nbn**[®] Network as at the end of the financial year.

Allocator calculation

Calculated as the percentage of Average estimated network data traffic by technology/service of the total Average estimated network data traffic for all technologies/services.

Where the Average estimated network data traffic per technology/service is calculated as the SIO weighted average of available ordered speed tier mix data by provisioned broadband service multiplied by Active Premises – LTD by technology/services in a financial year.

Directly Attributable Capex – Year-to-Date (YTD)

Description

Represents the portion of capex per technology/service directly attributed to a technology/service in a financial year.

Definition

Capital expenditure by project and asset type (bought or constructed) recorded in **nbn**'s Fixed Asset Register, which has been assessed as directly attributable to the technology/services.

Allocator calculation

Calculated as the percentage of directly attributable capex of the directly attributable capex for all technologies/services.

Telecommunications Revenue – Year-to-Date (YTD)

Description

Represents the relative value placed on each of **nbn**'s services by consumers that is used to allocate shared costs (and the TIL Levy) with no identified causal driver.

Definition

The sum of recurring and non-recurring telecommunications revenues for all technologies / services sold by **nbn** in a financial year. This will be based on the Revenue definition in the SAU applied to the information in **nbn**'s audited financial accounts.



Allocator calculation

Calculated as the percentage of Telecommunications Revenue earned by technology/service of the total Telecommunications Revenue per technology/service.

Total SAU Revenue – Year-to-Date (YTD)

Description

Represents the relative value placed on each of **nbn**'s NNI and Other services by consumers that is used to allocate shared costs with no identified causal driver.

Definition

The sum of recurring and non-recurring telecommunications revenues and non-telecommunications revenues for all technologies / services sold by **nbn** in a financial year. This will be based on the Revenue definition in the SAU applied to the information in **nbn**'s audited financial accounts.

Allocator calculation

Calculated as the percentage of Total SAU Revenue earned by technology/service of the Total SAU Revenue per technology/service.

Allocators applying to specific technologies / services

Once each cost category is determined to be a shared cost it is then assigned an allocator, and it may then be further assigned as applying only to certain technologies/services, as named within brackets following the identification of an allocator. For example, an allocator may be applied over services provided by FTTP technology only.

For clarity, if an allocator does not specify technologies/services within brackets following the allocator identification, it is shared across all technologies/services.



Appendix B: Schedules 1 – 4 formats

Schedule 1 – Statement of Revenue

Revenue Stream	Core Services											Competitive					NNI - Total	Total	
	Fixed-Line AVC TC-1	Fixed-Line AVC TC-2	Fixed-Line AVC TC-4	Fixed Wireless AVC TC-1	Fixed Wireless AVC TC-4	Satellite AVC TC-1	Satellite AVC TC-4	Sky Muster Plus	NNI - Core	Other - Core	Total Core	Enterprise Ethernet	Business Satellite Service	Satellite Mobility	NNI - Comp	Total - Competitive			
AVC																			
CVC																			
NNI																			
Other recurring telecommunications revenue																			
Total Recurring Telecommunications Revenue																			
Customer Rebates																			
Ancillary and Service Charges																			
Facilities Access - WBA																			
Other Telecommunications Revenue																			
Total Telecommunications Revenue																			
Non-Telecommunications Revenue																			
Total SAU Revenue																			
Accounting Adjustments / reconciliation to SAU revenues																			
Capital contributions																			
Service standards commitments rebates																			
Total Statutory Revenue																			



Schedule 2 – Statement of Operating Expenditure

Cost Category	Core Services										Competitive Services					NNI - Total	Total		
	Fixed-Line AVC TC-1	Fixed-Line AVC TC-2	Fixed-Line AVC TC-4	Fixed Wireless AVC TC-1	Fixed Wireless AVC TC-4	Satellite AVC TC-1	Satellite AVC TC-4	Sky Muster Plus	NNI - Core	Other - Core	Total Core	Enterprise Ethernet	Business Satellite Service	Satellite Mobility	NNI - Competitive			NNI - Competitive	Total Competitive
Operating Expenditure																			
All costs recorded directly against the BSS and Satellite Mobility cost centres																			
Network Costs																			
Network Power																			
Spectrum / Apparatus Licences – Fixed Wireless																			
Site and network access – Fixed Wireless																			
Satellite Outsourced Services – Satellite (ex BSS and Satellite Mobility)																			
Assurance and Maintenance Cost																			
Service Assurance - FTTx (ex FTTP), HFC, Fixed Wireless																			
Service Assurance - Satellite (ex BSS and Satellite Mobility)																			
Network Assurance FTTx (ex FTTP), HFC, Fixed Wireless																			
Network Maintenance - FTTx (ex FTTP), HFC, Fixed Wireless																			
Service Rebates (Connect & Assure)																			
End User Not in Attendance costs (ex EE and Satellite)																			
Total Directly Attributable SAU Operating Cost																			



Cost Category	Core Services										Competitive Services					NNI - Total	Total		
	Fixed-Line AVC TC-1	Fixed-Line AVC TC-2	Fixed-Line AVC TC-4	Fixed Wireless AVC TC-1	Fixed Wireless AVC TC-4	Satellite AVC TC-1	Satellite AVC TC-4	Sky Muster Plus	NNI - Core	Other - Core	Total Core	Enterprise Ethernet	Business Satellite Service	Satellite Mobility	NNI - Competitive			NNI - Competitive	Total Competitive
Network Cost																			
Telstra Infrastructure Leases – racks																			
Telstra Infrastructure Leases – ducts																			
Telstra Infrastructure Leases – Dark fibre																			
Pole Rental																			
Managed Service Backhaul																			
Rack Power - transit																			
Site and network access – Satellite																			
Site and network access – Transit																			
Assurance and Maintenance Cost																			
Service Assurance - FFTP																			
Network Assurance - FFTP																			
Network Assurance - Satellite																			
Network Assurance - Transit																			
Network Maintenance - FFTP																			
Network Maintenance - Transit																			
Network Maintenance - Poles																			
Other Network Costs																			
Freight Distribution and Supply Chain																			
Vendor Support Contract Costs																			
Other costs (including fleet vehicles)																			
Employee benefits expense																			
Other Operating Cost																			
Outsourced and corporate services																			
IT and Software Costs																			
Marketing and Product Costs																			
Occupancy Costs																			
Telecommunications Industry Levy (TIL)																			
Insurance																			
Other Internal Expenses																			
Total Shared SAU Operating Cost																			
Total SAU Operating Cost																			



Schedule 3 – Statement of Capital Expenditure

Cost Category	Core Services										Competitive Services					NNI - Total	Total	
	Fixed-Line AVC TC-1	Fixed-Line AVC TC-2	Fixed-Line AVC TC-4	Fixed Wireless AVC TC-1	Fixed Wireless AVC TC-4	Satellite AVC TC-1	Satellite AVC TC-4	Sky Muster Plus	NNI - Core	Other - Core	Total Core	Enterprise Ethernet	Business Satellite Service	Satellite Mobility	NNI - Competitive			Total Competitive
Capital Expenditure																		
Customer Connection Assets (except EE)																		
Customer Connection Assets (EE services)																		
FTTN/B network assets																		
FTTC network assets																		
HFC network assets																		
Fixed Wireless network assets																		
Telstra Infrastructure Ownership assets																		
Satellite (excluding BSS and Satellite Mobility)																		
Business Satellite Services																		
Satellite Mobility																		
Transit (Non-Competitive)																		
Total Directly Attributable Capital Expenditure																		
Fibre network assets (excluding customer connections)																		
Civil infrastructure assets (excluding customer connections)																		
Satellite (Shared)																		
Transit (Shared)																		
Network facilities																		
Non-network assets																		
Transit (Access Aggregation Switch)																		
Total Shared Capital Expenditure																		
Total Capital Capital Expenditure																		



Schedule 4 – Statement of Depreciation and Return on Capital

	Note	Total Core	Total Competitive	Total
Revenue	1			
less				
Operating Expenditure	2			
Depreciation net of indexation	3			
Net Tax Allowance	3			
Return on Capital	4			
Opening Asset Base	3			
Closing Asset Base	3			
Opening CIP	3			
Closing CIP	3			
Rate of Return on Opening Asset Base plus CIP	5			

Notes

- 1 - Reconciliation of total to Statutory Revenue similar to Schedule 9 of current SAU Reporting
- 2 - Reconciliation of total to Statutory Opex similar to Schedule 7 of current SAU Reporting
- 3 - Values based on the *BBM for Accounting Separation*
- 4 - Calculated as Revenue less Operating expenditure less Depreciation net of indexation less Net Tax Allowance
- 5 - Calculated as Return on Capital divided by the sum of the Opening Asset Base and the Opening CIP