

**TRANSGRID LICENCE APPLICATION UNDER THE UTILITIES Act 2000 (ACT)
PRUDENTIAL AND TECHNICAL CRITEREA – JANUARY 2015**

<u>SECTION</u>	<u>ICRC REQUIREMENT</u>	<u>TRANSGRID RESPONSE</u>	<u>REFERENCE DOCUMENT NO.</u>	<u>COMMENT</u>
1	PRELIMINARY INFORMATION REQUIREMENTS			
1.1	<i>LEGAL IDENTITY OF APPLICANT</i>			
	Full Legal name	TransGrid	1	Last page
	Trading name	TransGrid	1	Last page
	ACN	Not Applicable	9	TransGrid is not registered with ASIC as it is constituted under s6A of the NSW “Energy Services Corporations Act 1995 (NSW)”, and as specified in Part 1A of Schedule 1 to the Act.
	ABN	19 622 755 774	1	Last page
	Registered office address	180 Thomas St Sydney NSW 2000	1	Last Page
	Address for correspondence / contact details	PO Box A1000 Sydney South NSW 1235 Phone: 02 9284 3000	1	Last page
1.2	<i>NATURE OF APPLICATION</i>			
	Utility Service	Electricity Transmission Service Provider		
	Nature and scope of operations	Provision of bulk supply of electricity to customer		
	Type of customer to supply	Electricity Distributor		
	Date to enter market	Upon granting of Licence	7 8	TransGrid currently operates within the ACT “Utilities Act 2000” under Clause 22 (Disallowable Instrument DI2012-267)
	Term of the Licence	Ongoing		

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1.3	<i>EQUITY STRUCTURE OF APPLICANT</i>			
	Ownership structure	NSW State Owned Corporation with two NSW Government Ministers as voting shareholders	2 9 15	NSW "Energy Services Corporations Act 1995 No. 95 and the "State owned Corporations Act 1989 No. 134" TransGrid Corporate Plan page 22.
	Contractual arrangements	Not applicable		
	Consolidated audited financial statements	Detailed in TransGrid's Annual Report	1	Refer Chapter 11, page 130 onwards.
2	PRUDENTIAL CRITERIA			
2.1	<i>APPLICANTS FITNESS TO HOLD A UTILITY LICENCE</i>			
2.1.1	<i>GOOD CHARACTER</i>			
	Details of offences / prosecutions under legislation relevant to applicants capacity as a utility licensee	We are not aware of any offences or successful prosecutions of the type listed in this section 2.1.1 which are relevant to TransGrid's capacity as a utility licensee.		
	Concurrent utility licence applications	-		
	Licences held in other jurisdictions	TransGrid is not required to hold a utility licence in NSW.		
	Unsuccessful utility licence applications	-		
2.1.2	<i>PROBITY AND COMPETENCE OF OFFICERS OF THE APPLICANT</i>			
	Names and contact details of officers	Board: Chum Darvall (Chair), Peter McIntyre, Trevor Danos, Suzanne Jones, Michael Nugent.	1 15	Last page of Annual Report for contact details

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		Executive Team: Peter McIntyre (MD), Lionel Smyth, Gerard Reiter, Michael Gatt, Stephen Clark, Tony Meehan, Boon Thiow, Greg Garvin.		
	Polices and procedures addressing probity / competence	All Staff are required to comply with TransGrid's "Our Code of Ethics and Conduct".	3	
2.1.3	<i>RISK MANGEMENT STRATEGY</i>			
	Risk management in accordance with AS/NZS ISO 31000:2009: Risk Management – Principals and Guidelines	TransGrid's Risk Management Framework is based on "AS/NZS ISO31000:2009 Risk Management - Principals and Guidelines". A Risk management declaration letter from TransGrid's Counsel is attached.	12 21	Framework has been approved by TransGrid Board and Managing Director on 13 May 2014.
	Certificate of currency from insurer	TransGrid's insurance strategy is to obtain the most comprehensive insurance coverage available at the most economical cost. Each year, TransGrid looks at the risks for which it is prepared to seek cover, the available insurance coverage or other means to meet the remaining risks and the costs of covering these risks. An Insurance Certificate from NSW Treasury Managed Fund covering, amongst other risks, Public Liability for \$20 Million.	1 20	Refer Section 10.21, page 122. Also note 'q' of "Notes to the Financial Statements".
2.2	<i>FINANCIAL CAPACITY TO MEET LICENCE OBLIGATIONS</i>			
2.2.1	<i>FINANCIAL RESOURCES</i>			
	Organisation is a "Going concern"	Detailed financial statements are contained within the Annual Report which have been audited by the NSW	1	Chapter 11, page 130 onwards.

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		Auditor General.		
	Auditor statement	The NSW Auditor General states (in part): “In my opinion the financial statements: Give a true and fair view of the financial position of the Corporation as at 30 June 2014 and of its financial performance and its cash flows for the year ended in accordance with Australian accounting Standards...”	1	Page 168
	Audited financial statements for last three years	Previous Statements can be found in previous Annual Reports going back to 2010 (refer TransGrid website www.transgrid.com.au).	1	
2.2.2	<i>ADDITIONAL CONSIDERATIONS SUPPORTING FINANCIAL CAPACITY</i>			
2.2.2.1	External ratings agencies - Credit Rating	TransGrid does not have a public credit rating		
2.2.2.2	Registration with AEMO	TransGrid is registered with AEMO as a) Network Service Provider (Transmission) and b) Special Participant System Operator.	13	Page 5 of Doc 13. Refer AEMO “NEM_Registration_and_Exemption_List” accessed 18 December 2014. URL: “ http://www.aemo.com.au/About-the-Industry/Registration/Current-Registration-and-Exemption-lists ”
3	TECHNICAL CRITERIA			
3.1	<i>LICENCE CONDITIONS</i>			
	Demonstrate knowledge of licence condition, requirements	TransGrid has the following documents providing information: a) Network Management Plan 2013 – 2018 covering: - Safety and Reliability - Framework	1 10 6	Note: The “Electricity Network Performance Report 2013/14” may alter in format in subsequent years due to modified NSW Jurisdictional reporting requirements.

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		<ul style="list-style-type: none"> - Management Support Systems - Planning and service delivery - Asset Strategies - Customer installation safety - Public Electrical Safety Awareness - Bush fire risk management - Corporate policies - Asset Inventory <p>b) Electricity Network Performance Report 2013/14 covering:</p> <ul style="list-style-type: none"> - Profile - Network Management - Network Planning - Asset Management - Network Safety - Bush Fire risk management - Public electrical safety awareness - Power line crossings of navigable waterways 		
	<p>Outline how it will meet licence conditions, other requirements.</p>	<p>TransGrid has the following documents providing information:</p> <p>a) Network Management Plan 2013 – 2018 covering:</p> <ul style="list-style-type: none"> - Safety and Reliability - Framework - Management Support Systems - Planning and service delivery - Asset Strategies - Customer installation safety - Public Electrical Safety Awareness - Bush fire risk management - Corporate policies - Asset Inventory <p>b) Electricity Network Performance Report 2013/14 covering:</p> <ul style="list-style-type: none"> - Profile - Network Management - Network Planning 	<p style="text-align: center;">1 10 6</p>	<p>Note: The “Electricity Network Performance Report 2013/14” may alter in format in subsequent years due to modified NSW Jurisdictional reporting requirements.</p>

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		<ul style="list-style-type: none"> - Asset Management - Network Safety - Bush Fire risk management - Public electrical safety awareness - Power line crossings of navigable waterways 		
	Operational activities in ACT	<p>TransGrid has six Regional Depots throughout NSW with the ACT region electricity assets largely serviced from our Yass Regional Centre.</p> <p>System Operations for NSW are managed from our Control Rooms at Wallgrove (Western Sydney) and Newcastle. These Control Rooms operate 24/7 and have 24 hour 1800 telephone numbers.</p>	1 6	
3.2	<i>STATUTORY & CODE REQUIREMENTS</i>			
	Asset Management System	TransGrid has recently (December 2014) been Accredited for ISO 55001 "Asset Management Standard"	6 14	
3.3	<i>EXPERIENCE OF APPLICANT</i>			
	Dates, locations of operations	<p>TransGrid operates the Electricity Transmission System within its area of responsibility 24/7, 365 days a year.</p> <p>Office and depot locations are Sydney, Wallgrove, Orange, Yass, Wagga, Newcastle and Tamworth.</p>	1 6	
	Type of utility service provided	Electricity Transmission	1	
	Scale of operation	<ul style="list-style-type: none"> - 1,074 staff - 12,900 km of transmission line - 400 connection points to distributors - 97 substations / switching stations - 3 million electricity connections in NSW and ACT (through distributors) - \$6.076 billion regulated asset base - \$911 million revenue in 2013/14 - \$227 million operating profit after tax in 2013/14 	1	Further details available throughout Annual Report.
	Network planning, network design, total		1	

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	asset management, operation	TransGrid plans, designs, operates and maintains the high voltage electricity system within NSW and the ACT. Details of the strategies and plans are detailed in the attached referenced documents.	4 5 6 10	
	Activities in house vs. outsourced	Core activities of TransGrid are conducted in house.		
	Quality Assurance	TransGrid is ISO 55001 (Asset Management) certified	6 14	
3.4	<i>HUMAN RESOURCES</i>			
	Summary of technical skills	The People and Culture Group ensure positions are filled with people qualified to the required standard. In addition development plans and training programs are available for staff.	16 17 18	
	Number of employees	1,074	1	Page 13
	Human resource policies governing technical qualifications	The People and Culture Group ensure positions are filled with people qualified to the required standard. In addition development plans and training programs are available for staff. TransGrid is also a registered training organisation.	16 17 18	
3.5	<i>EXTERNAL RESOURCES</i>			
	Functions outsourced	-		
	Formal external agreements	-		
	Other entity experience	-		
	Others technical capacity	-		

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ATTACHMENT A				
	<i>OPERATIONS IN OTHER JURISDICTIONS – QUALITY ASSURANCE ACCREDITATION</i>	<p>TransGrid operates within NSW and is quality accredited for:</p> <ul style="list-style-type: none"> - Environment (ISO 14001); - Quality (ISO 9001); - Health and Safety (ISO4801); and - Asset Management (ISO 55001). 		
	<i>BENCHMARKING SCHEMES</i>	<p>TransGrid has participated in a benchmarking program the “International Transmission Operations and Maintenance Study (ITOMS)” since its inception in 1995.</p> <p>Further details can be found in TransGrid’s recent “Revenue Proposal” submission to the Australian Energy Regulator for 2014/15 to 2018/19 (Section 6.6.1 “Industry Benchmarks”, pages 144 to 155).</p> <p>The website for the submission document is referred to in the ‘Comment’ column to the right.</p>	19	<p>Submission Document:</p> <p>https://s3-ap-southeast-2.amazonaws.com/ehq-production-australia/ea7177ae6805b39fb0098dfb24062750526a561f/doc/docume/attachments/000/013/775/original/TransGrid_Revenue_R_Proposal_-_2014-2019.pdf?1401705883</p> <p>Full Revenue proposal:</p> <p>http://yoursaytransgrid.com.au/transgrids-full-revenue-proposal-for-201415-to-201819</p>
	<i>ORGANISATION CHART FOR ACT OPERATION</i>	Assets within the ACT will be serviced and maintained mostly from TransGrid’s Yass depot.	1 6	

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	<i>DRAFT BUDGET FOR FIRST FIVE YEARS OF OPERATION</i>	TransGrid's operating and capital budget is currently under determination by the Australian Energy Regulator (AER). A final determination is due in May 2015. A draft decision was released in November 2014. TransGrid's Annual Planning Report outlines network developments proposed over the following five years.	4	AER website (draft decision): http://www.aer.gov.au/node/23137

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REFERENCE DOCUMENTS (as attached)

Reference Document No.	Document (as attached)
1	TransGrid “Annual Report 2014”
2	TransGrid “Corporate Plan 2014 – 2019”
3	TransGrid “Our Code of Ethics and Conduct”
4	TransGrid “Transmission Annual Planning Report 2014”
5	TransGrid “Network Development Strategy 2014”
6	TransGrid “Network Management Plan 2013 – 2018”
7	ACT Government “Disallowable Instrument DI2012-267”
8	ACT Government “Disallowable Instrument DI2012-267” – Explanatory Statement
9	NSW Government “Energy Services Corporations Act 1995 No 95 (NSW)”
10	TransGrid “2013–14 Electricity Network Performance Report”
11	Independent Competition & Regulatory Commission (ICRC) “Guidelines on prudential and technical criteria for licence applications under the Utilities Act 2000 (ACT)” October 2012
12	TransGrid “Risk Management Framework”
13	AEMO “NEM Registration and Exemption List”
14	Transgrid “ISO 55001 – Asset Management Standard” certified
15	TransGrid Board Charter
16	TransGrid – Technical Training Guidelines
17	TransGrid – People and Culture
18	TransGrid – Registered Training Organisation
19	TransGrid -“Revenue Proposal” submission to the Australian Energy Regulator for 2014/15 to 2018/19
20	TransGrid – Insurance Certificate – 3 June 2014
21	TransGrid – Risk Management strategy – Declaration letter