



31 January 2023

RIN.09 – Related party transactions

Ausgrid's 2024-29 Regulatory Proposal

Empowering communities for a resilient, affordable and net-zero future.



4.16.1 Identify and describe all entities which:

- (a) are a related party to Ausgrid and contribute to the provision of distribution services; or
- (b) have the capacity to determine the outcome of decisions about Ausgrid's financial and operating policies.

Note: In the answers to this question:

A reference to 'Ausgrid' or 'AOP' is a reference to the Ausgrid Operator Partnership, a partnership carried on by:

- (a) Blue Op Partner Pty Ltd (ACN 615 217 500) as trustee for the Blue Op Partner Trust;
- (b) ERIC Alpha Operator Corporation 1 Pty Ltd (ACN 612 975 096) as trustee for ERIC Alpha Operator Trust 1;
- (c) ERIC Alpha Operator Corporation 2 Pty Ltd (ACN 612 975 121) as trustee for ERIC Alpha Operator Trust 2;
- (d) ERIC Alpha Operator Corporation 3 Pty Ltd (ACN 612 975 185) as trustee for ERIC Alpha Operator Trust 3; and
- (e) ERIC Alpha Operator Corporation 4 Pty Ltd (ACN 612 975 210) as trustee for ERIC Alpha Operator Trust 4;

A reference to 'AAP' is a reference to the Ausgrid Asset Partnership, a partnership carried on by:

- (a) Blue Asset Partner Pty Ltd (ACN 615 217 493) as trustee for the Blue Asset Partner Trust;
- (b) ERIC Alpha Asset Corporation 1 Pty Ltd (ACN 612 974 044) as trustee for ERIC Alpha Asset Trust 1;
- (c) ERIC Alpha Asset Corporation 2 Pty Ltd (ACN 612 975 023) as trustee for ERIC Alpha Asset Trust 2;
- (d) ERIC Alpha Asset Corporation 3 Pty Ltd (ACN 612 975 032) as trustee for ERIC Alpha Asset Trust 3; and
- (e) ERIC Alpha Asset Corporation 4 Pty Ltd (ACN 612 975 078) as trustee for ERIC Alpha Asset Trust 4.

14.6.1(a) response

The following entities are a related party and contribute to the provision of distribution services:

(i) Ausgrid Management Pty Ltd (Ausgrid Management) ACN 615 449 548.

Ausgrid Management is a Corporations Act company that is 100% owned by the Ausgrid Operator Partnership (**AOP**) (ABN 78 508 211 731). Ausgrid Management is a related party of Ausgrid because Ausgrid has 'control or significant influence' over Ausgrid Management. Ausgrid Management contributes to the provision of distribution services by acting as Ausgrid's agent and employing all staff that are made available to perform work in Ausgrid's business.

(ii) AAP

AAP is stapled to Ausgrid. AAP subleases the Ausgrid network to Ausgrid. The State of New South Wales also holds a 49.6% interest in AAP through its ownership of the ERIC Partners 1-4. This may be regarded as giving the State of New South Wales significant influence over Ausgrid. AAP contributes to the provision of distribution services by subleasing the Ausgrid distribution network to Ausgrid.

(iii) Alpha Distribution Ministerial Holding Corporation (ADMHC) ABN 67 505 337 385

ADMHC was formerly the NSW State Owned Corporation known as Ausgrid (the **Ausgrid SOC**). On 1 December 2016 the Ausgrid SOC was converted into a Ministerial Holding Corporation under clause 6(1) of Schedule 7 to the *Electricity Network Assets (Authorised Transactions) Act 2015* (NSW). ADMHC is ultimately controlled by the State of New South Wales. ADMHC is the owner of the Ausgrid network. The State of New South Wales also holds a 49.6% interest in Ausgrid through its ownership of the ERIC Partners 1-4. This may be regarded as giving the State of New South Wales significant influence over Ausgrid. ADMHC contributes to the provision of distribution services by leasing the Ausgrid distribution network to AAP who then subleases the network to Ausgrid.

(iv) Plus ES Partnership (Plus ES) (ABN 30 179 420 673)

Plus ES is a partnership carried on under that name by:

2 | RIN.09 - Related party transactions



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- (a) Blue PES Partner Pty Ltd (ACN 622 175 428) as trustee for the Blue PES Partner Trust;
 - (b) ERIC Alpha AUP Corporation 1 Pty Ltd (ACN 621 524 374) as trustee for the ERIC Alpha AUP Trust 1;
 - (c) ERIC Alpha AUP Corporation 2 Pty Ltd (ACN 621 524 454) as trustee for the ERIC Alpha AUP Trust 2;
 - (d) ERIC Alpha AUP Corporation 3 Pty Ltd (ACN 621 524 525) as trustee for the ERIC Alpha AUP Trust 3; and
 - (e) ERIC Alpha AUP Corporation 4 Pty Ltd (ACN 621 524 605) as trustee for the ERIC Alpha AUP Trust 4.

Plus ES is stapled to Ausgrid. Plus ES is a related party of Ausgrid because both Plus ES and Ausgrid are under common control of Blue Op Holdco Pty Ltd (ACN 615 227 140) as trustee for Blue Op Hold Trust (**Blue Op Hold Trust**) and contributes or is expected to contribute during the relevant period to the provision of distribution services by providing certain testing, electrical and fibre and metering services. These services are explained in further detail in the answer to 4.16.3 below.

(v) Plus ES Management 1 Pty Ltd (PlusES M1) ACN 622 269 907.

Plus ES M1 is a Corporations Act company that is 100% owned by Plus ES. Plus ES M1 is a related party to Ausgrid because both Plus ES M1 and Ausgrid are under common control of Blue Op Hold Trust. Currently employees of Ausgrid Management are being made available to Plus ES through a labour services agreement between AOP and Plus ES. However it is anticipated that alternate resourcing arrangements will be entered into between Ausgrid Management and Plus ES M1 in relation to employees of Ausgrid Management who perform work for Plus ES. If this occurs Plus ES M1 would be considered to contribute to the provision of distribution services through the arrangements identified in answer to 4.16.3 below.

(vi) Plus ES Management 2 Pty Ltd (PlusES M2) ACN 622 269 934.

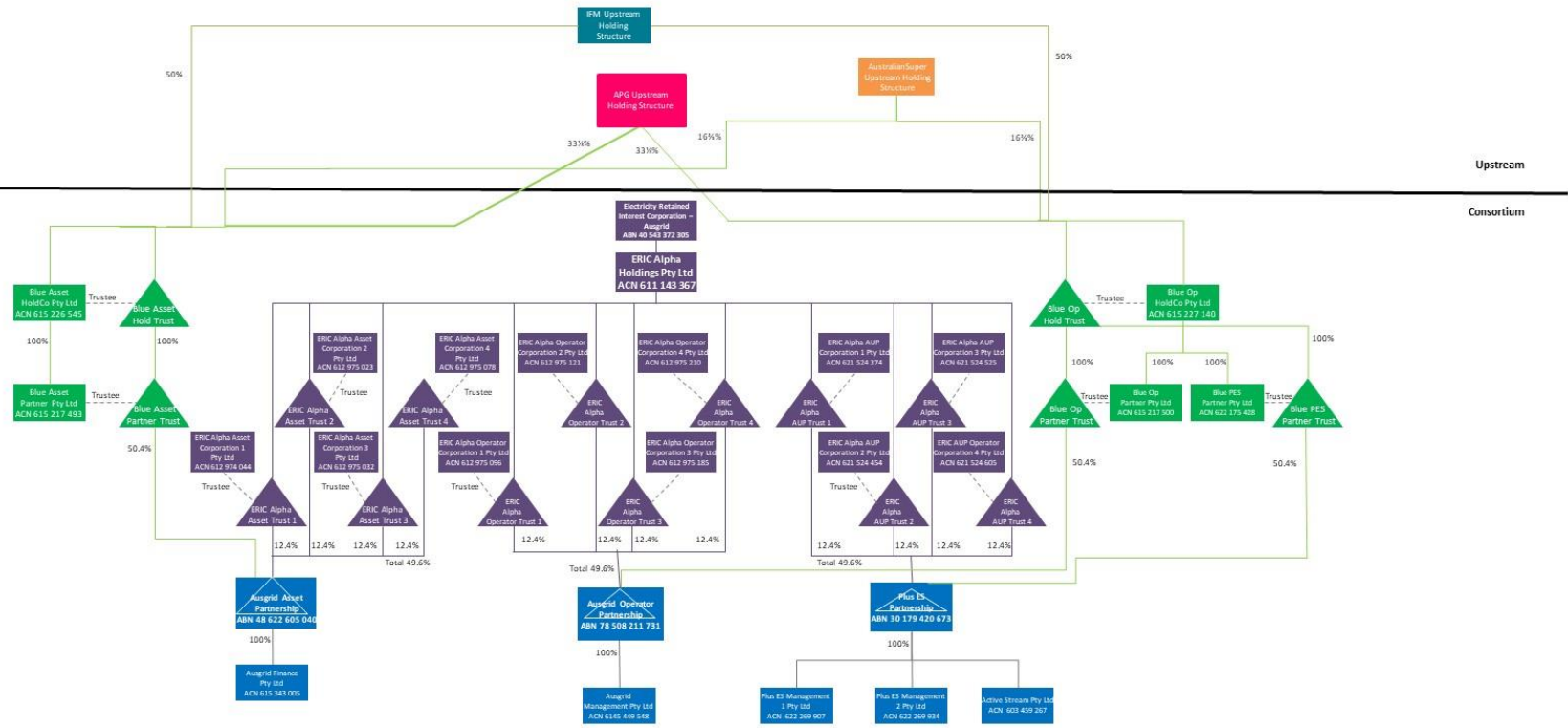
Plus ES M2 is a Corporations Act company that is 100% owned by Plus ES. Plus ES M2 is a related party to Ausgrid because both Plus ES M2 and Ausgrid are under common control of Blue Op Hold Trust. Currently employees of Ausgrid Management are being made available to Plus ES through a labour services agreement between AOP and Plus ES. However it is anticipated that alternate resourcing arrangements may be entered into between Ausgrid Management and Plus ES M2 in relation to employees of Ausgrid Management who perform work for Plus ES. If this occurs Plus ES M2 would be considered to contribute to the provision of distribution services through the arrangements identified in answer to 4.16.3 below.

4.16.1(b) response

The following have the capacity to determine the outcome of decisions about Ausgrid's financial and operating policies:

- **Blue Op Partner Pty Ltd (ACN 615 217 500) as trustee for the Blue Op Partner Trust (Blue Op Partner)** is a vehicle which holds 50.4% partnership interest in Ausgrid and directors appointed by Blue Op Partner have the capacity to determinate Ausgrid's financial and operating policies by settling Ausgrid's business plan and budget. It is jointly owned by IFM Investors, Australian Super and entities managed by APG Asset Management through a number of interposed entities.
- **Blue Op Holdco Pty Ltd (ACN 615 227 140) as trustee for Blue Op Hold Trust (Blue Op Hold Trust)**. Blue Op Hold Trust holds 100% of the issued units in Blue Op Partner. It is jointly owned by IFM Investors, Australian Super and entities managed by APG Asset Management through a number of interposed entities.

4.16.2 Provide a diagram of the organisational structure depicting the relationships between all the entities identified in the response to this section 4.17.



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4.16.3 Identify:

- (a) all arrangements or contracts between Ausgrid and any of the other entities identified in the response to this section 4.17 currently in place or expected to be in place during the forthcoming regulatory control period which relate directly or indirectly to the provision of distribution services; and**
- (b) the service or services that are the subject of each arrangement or contract.**

There are (7) contracts which are captured by 4.16.3(a). These and the services that are their subject are:

Current Contracts

1. Distribution Network Lease (**DNL**) between ADMHC and AAP and Sub Lease and Access Agreement (**Sublease**) between AAP and Ausgrid dated 1 December 2016. The Ausgrid network, including all land holdings that form part of the network, are held under lease by AAP from ADMHC and sublease by Ausgrid from AAP which enable Ausgrid to operate the Ausgrid network.
2. Management Agreement between Ausgrid Management, AAP and Ausgrid dated 26 October 2016. This agreement provides for Ausgrid Management to be appointed as agent of AAP and Ausgrid and to provide employment services under which it makes each employee available to Ausgrid for the carrying out of its business.
3. Testing Services Agreement between Ausgrid and Plus ES dated 1 January 2018. Under this agreement Plus ES provides chemical testing services, calibration services, electrical testing services and consulting services relating to the various testing services to support Ausgrid's operation and maintenance of its electricity network.
4. Electrical and Fibre Services Agreement between Ausgrid and Plus ES dated 1 January 2018. Under this non-exclusive agreement Plus ES provides services to relating to the build and maintenance of electrical and fibre optic networks.
5. Metering Services Agreement between Ausgrid and Plus ES dated 3 May 2018 to support the provision by Ausgrid of certain metering related standard control services.
6. Metering Services Agreement between Ausgrid and Plus ES dated 3 May 2018 to support the provision by Ausgrid of certain metering related alternative control services.

Future Contracts

7. Referral Services Agreement between Ausgrid and Plus ES. Under this non-exclusive agreement Plus ES will be incentivised to refer customers to Ausgrid for certain distribution asset rental services that deliver unregulated revenue to Ausgrid.¹

¹ This contract is expected to be entered into by or around 30 June 2023.
5 | RIN.09 - Related party transactions

4.16.4 For each service identified as the subject of each arrangement or contract:

(a) provide: (i) a description of the process used to procure the service; and (ii) supporting documentation including, but not limited to, requests for tender, tender submissions, internal committee papers evaluating the tenders, contracts between Ausgrid and the relevant provider.

(b) explain: (i) why that service is the subject of an arrangement or contract (i.e. why it is outsourced) instead of being undertaken by Ausgrid itself; (ii) whether the services procured were provided under a standalone contract or provided as part of a broader operational agreement (or similar); (iii) whether the services were procured on a genuinely competitive basis and if not, why not; and (iv) whether the service (or any component thereof) was further outsourced to another provider by the related party.

Our response to this question is set out in the following table.

Contract	(a)(i) description of process used to procure services	(a)(ii) supporting documentation including but not limited to, requests for tender, tender submissions, internal committee papers evaluating the tenders, contracts between Ausgrid and the relevant provider.	(b)(i) explain why that service is the subject of an arrangement or contract instead of being undertaken by Ausgrid itself.	(b)(ii) explain whether the services procured were provided under a standalone contract or provided as part of a broader operational agreement of similar.	(b)(iii) whether the services were procured on a genuinely competitive basis and if not, why.	(b)(iv) whether the service (or any component thereof) was further outsourced to another provider.
Distribution Network Lease between ADMHC and AAP Sublease Deed and Access Agreement	As part of the NSW Government's Long Term Lease Transaction of the Ausgrid network, the Ausgrid network (land and assets) was leased by ADMHC under the Distribution Network Lease to AAP. The Ausgrid network was in turn subject to a sublease and access	Not applicable	The Ausgrid network is owned by ADMHC, the successor of the former Ausgrid State Owned Corporation. ADMHC lease the network land and assets to AAP who in turn subleases them to AOP who operates the Ausgrid network.	The Distribution Network Lease and the Sublease and Access Deed were part of a range of transaction documents at the time of the Long Term Lease Transaction, but are essentially standalone documents.	See answer to (a)(i)	Not applicable

Contract	(a)(i) description of process used to procure services	(a)(ii) supporting documentation including but not limited to, requests for tender, tender submissions, internal committee papers evaluating the tenders, contracts between Ausgrid and the relevant provider.	(b)(i) explain why that service is the subject of an arrangement or contract instead of being undertaken by Ausgrid itself.	(b)(ii) explain whether the services procured were provided under a standalone contract or provided as part of a broader operational agreement of similar.	(b)(iii) whether the services were procured on a genuinely competitive basis and if not, why.	(b)(iv) whether the service (or any component thereof) was further outsourced to another provider.
between AAP and AOP.²	agreement between AAP and AOP.					
Management Agreement between Ausgrid Management and AAP and AOP	The Management Agreement was put in place as part of the Long Term Lease transaction of the Ausgrid network.	Not applicable	Ausgrid Management is the employer of the staff utilised by AOP to operate the Ausgrid network. The management agreement provides for Ausgrid Management to be appointed as agent of AAP and AOP and to provide employment services under which it makes each employee available to AOP for the carrying out of its business.	The Management Agreement is part of a range of transaction documents put in place at the time of the Ausgrid Long Term Lease Transaction, but are essentially stand-alone documents.	The services provided are essentially on a cost pass through basis.	No
Testing Services Agreement	There was no formal procurement process. The contracts were entered at the same	There was no procurement process for the	The services the subject of these contracts were previously undertaken by Ausgrid itself as part of its	Services are provided under a stand-alone contract.	There was no formal procurement process as set	No

² Note: ADMHC, AAP and AOP and the partners of those partnerships are also parties to a Sub Lease Deed. That Deed relates to the exercise of powers and functions between the parties under the Distribution Network Lease and the Sublease between AAP and AOP but it does not directly or indirectly relate to the provision of distribution services.

Contract	(a)(i) description of process used to procure services	(a)(ii) supporting documentation including but not limited to, requests for tender, tender submissions, internal committee papers evaluating the tenders, contracts between Ausgrid and the relevant provider.	(b)(i) explain why that service is the subject of an arrangement or contract instead of being undertaken by Ausgrid itself.	(b)(ii) explain whether the services procured were provided under a standalone contract or provided as part of a broader operational agreement of similar.	(b)(iii) whether the services were procured on a genuinely competitive basis and if not, why.	(b)(iv) whether the service (or any component thereof) was further outsourced to another provider.
between Ausgrid and Plus ES	time as the creation of Plus ES as an Ausgrid affiliate to meet the requirements of the AER ringfencing guidelines by 1 January 2018. The most timely and efficient approach to ensure continuity of these services to the Ausgrid DNSP was to put in place these arrangements.	reasons set out in answer to (a)(i).	operation and maintenance of its electricity network and were also provided to third parties. Upon creation of the Plus ES affiliate the staff and resources associated with the provision of these services were transferred (in the case of resources) or made available (in the case of staff) to Plus ES. This means that Ausgrid DNSP no longer has the internal capability to carry out these services itself.		out in answer to (a)(i). Notwithstanding this, the commercial terms and prices for the services in the agreement are considered to be commercial arms length terms.	
Electrical and Fibre Services Agreement between Ausgrid and Plus ES	As above	As above	As above	As above	As above	No
Metering Services Agreement between Ausgrid and Plus ES	There was no formal procurement process. The agreements are part of the arrangement	There was no formal procurement process for the reasons set out in	The Plus ES affiliate has taken over Ausgrid's metering business which had provided both Type 1-4	Services are provided under a stand-alone contract.	There was no formal procurement process as set	Yes

Contract	(a)(i) description of process used to procure services	(a)(ii) supporting documentation including but not limited to, requests for tender, tender submissions, internal committee papers evaluating the tenders, contracts between Ausgrid and the relevant provider.	(b)(i) explain why that service is the subject of an arrangement or contract instead of being undertaken by Ausgrid itself.	(b)(ii) explain whether the services procured were provided under a standalone contract or provided as part of a broader operational agreement of similar.	(b)(iii) whether the services were procured on a genuinely competitive basis and if not, why.	(b)(iv) whether the service (or any component thereof) was further outsourced to another provider.
(Standard Control Services)	for the creation of Plus ES as an affiliate to meet the requirements of the AER ringfencing guidelines.	answer to (a)(i) and (b)(i).	metering and Type 5-7 metering services and associated ancillary services. Ausgrid DNSP is however still required by the <i>National Electricity Rules</i> to be the metering coordinator for certain distribution and transmission wholesale metering, network boundary and zone metering points in the NEM, as well Type 7 (unmetered) metering installations. As the capability to provide the associated metering provision and metering data provision services is now with the Plus ES affiliate, this contract provides the capability for Ausgrid to continue to provide those services and meet its obligations as a		out in answer to (a)(i). Notwithstanding this, the commercial terms and prices for the services in the agreement are considered to be commercial arms length terms.	

Contract	(a)(i) description of process used to procure services	(a)(ii) supporting documentation including but not limited to, requests for tender, tender submissions, internal committee papers evaluating the tenders, contracts between Ausgrid and the relevant provider.	(b)(i) explain why that service is the subject of an arrangement or contract instead of being undertaken by Ausgrid itself.	(b)(ii) explain whether the services procured were provided under a standalone contract or provided as part of a broader operational agreement of similar.	(b)(iii) whether the services were procured on a genuinely competitive basis and if not, why.	(b)(iv) whether the service (or any component thereof) was further outsourced to another provider.
			<p>metering coordinator. Whilst Plus ES provides the services required by Ausgrid DNSP to meet its obligations, at this point integrated systems are required to provide services.</p> <p>In addition Ausgrid does not consider that any external party that would have the capability to provide these services and in the time frame required for the creation of the Ausgrid affiliate.</p>			
Metering Services Agreement between Ausgrid and Plus ES (Alternative Control Services)	As above	As above	<p>The Plus ES affiliate has taken over Ausgrid's metering business which had provided both Type 1-4 metering and Type 5-7 metering services and associated ancillary services.</p>	As above	<p>There was no procurement process for the reasons set out in answer to (a)(i). There was no procurement process as set</p>	Yes

Contract	(a)(i) description of process used to procure services	(a)(ii) supporting documentation including but not limited to, requests for tender, tender submissions, internal committee papers evaluating the tenders, contracts between Ausgrid and the relevant provider.	(b)(i) explain why that service is the subject of an arrangement or contract instead of being undertaken by Ausgrid itself.	(b)(ii) explain whether the services procured were provided under a standalone contract or provided as part of a broader operational agreement of similar.	(b)(iii) whether the services were procured on a genuinely competitive basis and if not, why.	(b)(iv) whether the service (or any component thereof) was further outsourced to another provider.
			<p>Ausgrid DNSP is however still required by the National Electricity Rules to be the metering coordinator for Type 5-6 metering services until all meters have “churned” to Type 4 meters. This Contract relates to the part of metering and related services that are classified as alternative control services, being the provision on Type 5-6 metering services and associated ancillary metering services.</p> <p>Plus ES provides part of the services required by Ausgrid DNSP to meet its obligations (essentially the front end service) whilst Ausgrid provides other aspects such as the B2B systems and service, at this point integrated systems</p>		<p>out in answer to (a)(i). Notwithstanding this, the commercial terms and prices for the services in the agreement are considered to be commercial arms length terms.</p>	

Contract	(a)(i) description of process used to procure services	(a)(ii) supporting documentation including but not limited to, requests for tender, tender submissions, internal committee papers evaluating the tenders, contracts between Ausgrid and the relevant provider.	(b)(i) explain why that service is the subject of an arrangement or contract instead of being undertaken by Ausgrid itself.	(b)(ii) explain whether the services procured were provided under a standalone contract or provided as part of a broader operational agreement of similar.	(b)(iii) whether the services were procured on a genuinely competitive basis and if not, why.	(b)(iv) whether the service (or any component thereof) was further outsourced to another provider.
			are required to provide services and it is anticipated that Plus ES will continue to provide these services whilst Ausgrid DNSP has continuing type 5-6 metering obligations. Ausgrid does not consider that any external party would have the capability to provide these services, being services that are largely transitioning out of the NEM, in the time frame that was required for the creation of the Ausgrid affiliate.			
Referral Services Agreement between Ausgrid and Plus ES	There was no formal procurement process. The agreement is to incentivise Plus ES to refer customers to Ausgrid for certain of Ausgrid's distribution	There was no formal procurement process for the reasons set out in answer to (a)(i) and (b)(i).	There is no intention for Ausgrid not to perform these services. Rather, it is intended to incentivise Plus ES to also refer customers to Ausgrid, in addition to Ausgrid's own marketing activities.	Services will be provided under a stand-alone contract.	There was no formal procurement process as set out in answer to (a)(i). Notwithstanding this, the commercial	Not applicable

Contract	(a)(i) description of process used to procure services	(a)(ii) supporting documentation including but not limited to, requests for tender, tender submissions, internal committee papers evaluating the tenders, contracts between Ausgrid and the relevant provider.	(b)(i) explain why that service is the subject of an arrangement or contract instead of being undertaken by Ausgrid itself.	(b)(ii) explain whether the services procured were provided under a standalone contract or provided as part of a broader operational agreement of similar.	(b)(iii) whether the services were procured on a genuinely competitive basis and if not, why.	(b)(iv) whether the service (or any component thereof) was further outsourced to another provider.
	asset rental services to third parties.				terms and prices for the services will be commercial arms length terms.	