

# STRATEGIC LAND ACQUISITION POLICY

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<b>Document Control</b>				
Policy Number	<b>1-02-OP55</b>			
Policy Status	V1.0 Rev A			
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Effective Date	Apr 2012			
Review Date	Apr 2014			

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<b>REVISION RECORD</b>					
<b>Date</b>	<b>Version</b>	<b>Description</b>	<b>Author</b>	<b>Checked By</b>	<b>Approved By</b>
29 Nov. 11	0.1	First Draft	R Adams	Various	
	0.2	S Porter & Myles Somers Comments	R Adams		
	0.3	J Haddow Comments	R Adams		
	0.4	J Smith Comments	R Adams		
	0.5	Changed clause 6.2.1	R Adams		
	0.6	P Stattmann's Comments	R Adams		
	0.7	S Appleby's comments	R Adams		
16 Apr. 12	A	Final Version	R Adams	S Appleby	R Korte

## 1. Title

Strategic Land Acquisition Policy

## 2. Policy Statement

Strategic acquisition of land and easements will be undertaken to enable ElectraNet to effectively manage risk and uncertainty in project delivery and to enable timely delivery of future new transmission lines and substations.

## 3. Purpose

The purpose of the policy is to develop a practical framework for establishing ElectraNet's land acquisition requirements in a timely manner in accordance with its legislative obligations. The framework will enable ElectraNet to forecast, plan for and secure land and easements in order to meet its service delivery obligations at least long-run cost.

## 4. Scope

This Policy applies to all strategic land and easement acquisitions undertaken by ElectraNet.

## 5. Terms and Acronyms

<b>Term/Acronym</b>	<b>Definition</b>
AEMO	Australian Energy Market Operator
AER	Australian Energy Regulator
APR	Annual Planning Report
ESCOSA	Essential Services Commission of South Australia
ETC	Electricity Transmission Code
NER	National Electricity Rules
NTNDP	National Transmission Network Development Plan
SLA	Strategic Land Acquisition
TNSP	Transmission Network Service Provider
<i>Forecast Agreed Maximum Demand</i>	The agreed maximum demand forecast for a given year that is agreed with the customer three years prior to when the agreed maximum demand is required to be contracted (proposed, see note 1)
<i>Note 1</i>	<i>This is an ETC code change that will apply from 1 July 2013</i>

## 6. Policy Details

### 6.1 Introduction

Acquisition of land and easements is defined as strategic if it is a mechanism for managing risk and uncertainty.

The decision to acquire land in advance of the construction timetable can be justified in terms of addressing the following risks:

- Increased land acquisition costs.
- Land availability.
- Regulatory requirements

The assessment of the net benefits of strategic land acquisition will be project and site-specific, and will be influenced by the following uncertainties:

- Existing development zoning;
- Planned or foreseeable changes in development zoning;
- forecast urban or regional growth;
- related infrastructure plans (e.g. local and state government plans);
- environmental, cultural or heritage issues;
- changes in planning policy;
- forecast demand for transmission network services;
- competing land uses or property ownership issues; and
- the location of new generation sources and the longer term development of the transmission network.

ElectraNet prepares expenditure forecasts for each regulatory period. One element of the capital expenditure forecasts relates to the strategic acquisition of land, which includes stand-alone substation land parcels and line easements.

## 6.2 Rules and Requirements

### 6.2.1 Rules and Provisions

The South Australian Electricity Transmission Code (clause 6.3.1) as it applies from 1 July 2013 requires that:

A **transmission entity** must use its **best endeavors** to complete all necessary design work, obtain all necessary planning approvals and acquire all necessary land and easements on the basis of **forecast agreed maximum demand** prior to changes in **forecast agreed maximum demand** causing a breach of the reliability standards specified in this industry code so as to ensure that the **transmission entity** is in a position to meet its obligations.

This obligation has been strengthened from the previous Code to include land (not just easements) and to operate on the basis of forecast agreed maximum demand. This effectively imposes a minimum lead time of three (3) years in advance of a breach in reliability standards to secure the relevant land and approvals. As a prudent TNSP ElectraNet must adopt a significantly longer planning horizon in order to be in a position to comply with this obligation for projected limitations, taking into consideration the specific risks involved in each instance.

In particular, the South Australian Annual Planning Report (APR) covers a twenty-year planning period. The APR reflects the outcomes of a joint planning process with ETSA Utilities, and sets out:

- Forecast loads submitted by ETSA Utilities and direct connect transmission customers;
- Planning proposals for future transmission network connection points;
- Projected network limitations and potential solutions to address those limitations;
- Notice of any proposed network augmentations; and
- Details of proposed replacement transmission network assets.

This information assists in the preparation of AEMO's National Transmission Network Development Plan (NTNDP). The NTNDP provides information on the strategic and long-term development of the national transmission system under a range of market development scenarios over a planning horizon of at least 20 years.

Neither the APR nor the NTNDP necessarily imply that land should be procured years in advance of the expected construction timeframes. However, the minimum planning horizons specified in the Rules for the APR and the NTNDP (10 years and 20 years, respectively) recognise that long lead times are associated with the identification and delivery of transmission projects.

More broadly, ElectraNet's Network 2035 Vision establishes a clear vision of safe, secure and reliable supply of transmission services that supports South Australia's economic development in a way that delivers transmission services to customers at lowest long-run cost and contributes to reducing carbon emissions.

Two key objectives of this vision are to:

- provide safe, secure and reliable supply; and
- deliver services at lowest long-run cost to customers.

This policy establishes the principles and framework for delivering on these objectives in accordance with the requirements outlined above.

### 6.2.2 Requirements

As the primary TNSP and Jurisdictional Planning Body for South Australia, ElectraNet;

1. Is obligated to ensure prior acquisition of all land and easement requirements in accordance with the ETC provisions.

This requires at a minimum the purchase of land and/or easements for those projects, which based on customer forecast agreed maximum demand are required up to eight (8) years from the start of the regulatory period. From a practical perspective (considering planning windows) any defined project within a ten (10) year planning window should have land or easements defined in the strategic land acquisition plan if not included as part of a specific capital project.

2. Must position itself to meet foreseeable land and/or easement procurement requirements over its planning horizon.

This will require that all land and easements required for projects within the NTNDP planning cycle of 20 years be assessed to determine its urgency and availability. If the risk assessment of not being able to secure the required land or easement is high then it must be defined in the next regulatory period's strategic land acquisition plan.

### 6.3 Assessment Framework

The strategic land acquisition assessment framework, must consider the following parameters

- Satisfy regulatory obligations
- Manage project delivery risk
- Minimise network costs.
- Minimise land costs.
- Secure land availability

In addition, the procurement of any land or easements must be consistent with ElectraNet's procedures and guidelines in relation to land and route selection (1-02-G26).

The table below illustrates the relationship between the drivers for land procurement and the timeframes for land procurement decisions.

	Driver				
	Satisfy regulatory obligations	Manage project delivery risk	Minimise network costs	Minimise land costs	Secure land availability
3 years (Electricity Transmission Code)	✓	✓	✓	✓	✓
3-5 years (APR)	X	✓	✓	✓	✓
5-10 years (APR/ NTNDP)	X	X	✓	✓	✓
10-20 years (NTNDP/ Network 2035 Vision)	X	X	X	X	✓

Note: A combination of lower expected benefits and higher costs leads to the conclusion that for projects beyond the 10 year planning horizon, land should only be procured if there are likely to be restrictions on its availability.

## 6.4 Application

### 6.4.1 Overview and guiding principles

The practical application of the framework is guided by the six principles set out below.

- Land procurement must be linked a specific network project.** If the land or easement is not identified as being required for a particular project it must not be included in the Strategic Land Acquisition program.
- Projects should be delineated by planning timeframes.** As the framework for strategic land procurement identifies different drivers depending on the project timeframes, projects are to be delineated in the following categories.
  - 0-10 years (see 6.2.2 part1)
  - 10-20 years (NTNDP and Network 2035 Vision)

As noted in 6.2.2, the timeframe categories refer to the driver date for planned completion of construction.

- The case for land procurement must be linked to a relevant driver.** The case for land procurement must be specifically linked to one or more of the relevant drivers in the assessment framework (as shown in the table above). For example, a project where construction commences in 3 years may be justified with reference to one or more of the following drivers:
  - Satisfy regulatory obligations;



- Manage project delivery risk;
  - Minimise network costs;
  - Minimise land costs; and/or
  - Secure land availability.
4. **Ensure that proposed land procurement complies with ElectraNet’s site and route selection guidelines and procedures.** A Site Selection Committee has been established to review and approve the criteria for site/route selection for all network projects where land and easements are required. Any proposal for land procurement must be consistent with these policies and procedures to ensure that it will address ElectraNet’s business needs.
  5. **Business cases may be supported by independent expert advice.** Where a business case relies on the drivers of minimising land costs or securing land availability, it must be supported by independent expert cost estimate and any relevant advice from a specialist land advisor. The advice may include a risk assessment of land availability in addition to advice on the future costs of land acquisition. As a practical matter, this advice should be obtained periodically (consistent with the periodic application of the framework, see 6 below) and consider ElectraNet’s overall network plans and land procurement issues.
  6. **The framework should be applied on an ongoing basis.** As time progresses, projects will move between timeframe categories and additional procurement drivers may become relevant to the procurement decision.

#### **6.4.2 Application of the assessment framework to determine ElectraNet’s Strategic Land Acquisition for regulatory periods**

ElectraNet is required to forecast its land and easement procurement costs for the forthcoming regulatory periods. The forecast land and easement procurement cost over a 5 year regulatory period must include the costs for all land and easements required to facilitate projects where construction will be completed within the first 3 years of the following regulatory period, to ensure consistency with the ETC. Additionally land and easement costs based upon the application of the assessment framework for projects that will occur for the 10 to 20 year and the 20 plus year time frames need to be included in the regulatory period’s Strategic Land Acquisition forecast to enable ElectraNet to meet its obligations in the future.

## 7. Roles and Responsibilities

<b>Party / Parties</b>	<b>Responsibilities</b>
<b>Chief Executive and Executives</b>	Ensure awareness of, and compliance with, the policy by all staff.
<b>Senior Managers</b>	Manage reviews and implementation within their area of responsibility
<b>All Employees, Contractors, Consultants and Outsourced Providers</b>	Compliance with the policy

## 8. Monitoring, Evaluation and Review

The policy is to be subject to review. Feedback on the policy is to be directed to the Senior Manager Network and Asset Strategy.

## 9. Associated Documents

Land and Easement Selection Guidelines (1-02-G26)

Strategic Land Acquisition Plan 2013-2035

## 10. Appendices and References

Not applicable.