

MINISTER FOR RESOURCES, ENERGY AND UTILITIES

DISTRIBUTOR'S LICENCE UNDER THE *ELECTRICITY SUPPLY ACT* 1995 (NSW)

granted to

Endeavour Energy Network Operator Partnership a partnership carried on under that name by Edwards O Pty Limited (ACN 618 643 486) as trustee for Edwards O Trust, ERIC Epsilon Operator Corporation 1 Pty Ltd (ACN 617 221 735) as trustee for ERIC Epsilon Operator Trust 1, ERIC Epsilon Operator Corporation 2 Pty Ltd (ACN 617 221 744) as trustee for ERIC Epsilon Operator Trust 2, ERIC Epsilon Operator Corporation 3 Pty Ltd (ACN 617 221 753) as trustee for ERIC Epsilon Operator Trust 3, ERIC Epsilon Operator Corporation 4 Pty Ltd (ACN 617 221 771) as trustee for ERIC Epsilon Operator Trust 4

Dated: 7 June 2017.

Licence to operate a distribution system that is a transacted distribution system under the *Electricity Network Assets (Authorised Transactions) Act 2015* effective on completion (which is as designated by the Completion Order made by the Treasurer of the State of New South Wales under the *Electricity Network Assets (Authorised Transactions) Act 2015**).

*Note: the date of completion was designated to be

14 JUN 2017

BY

The Hon. Donald Harwin, Minister for Resources, Energy and Utilities ("The Minister")

TO

Endeavour Energy Network Operator Partnership, a partnership carried on under that name by:

- (a) **Edwards O Pty Limited** (ACN 618 643 486) as trustee for **Edwards O Trust**;
- (b) **ERIC Epsilon Operator Corporation 1 Pty Ltd** (ACN 617 221 735) as trustee for **ERIC Epsilon Operator Trust 1**;
- (c) **ERIC Epsilon Operator Corporation 2 Pty Ltd** (ACN 617 221 744) as trustee for **ERIC Epsilon Operator Trust 2**;
- (d) **ERIC Epsilon Operator Corporation 3 Pty Ltd** (ACN 617 221 753) as trustee for **ERIC Epsilon Operator Trust 3**; and
- (e) **ERIC Epsilon Operator Corporation 4 Pty Ltd** (ACN 617 221 771) as trustee for **ERIC Epsilon Operator Trust 4**.

("Licence Holder")

The Minister has determined to grant a distributor's licence under section 14 of the *Electricity Supply Act 1995* (NSW) in respect of the transacted distribution system operated by the Licence Holder on the conditions set out in the schedule to this licence and any conditions imposed by the *Electricity Supply Act 1995* (NSW) and any regulations under that Act.

SIGNED by:

A handwritten signature in black ink, appearing to read "Don Harwin", written over a horizontal line. The signature is cursive and includes a long, sweeping underline that extends to the right.

THE HON. DONALD HARWIN

Minister for Resources, Energy and Utilities

SCHEDULE OF MINISTERIALLY IMPOSED LICENCE CONDITIONS FOR THE OPERATOR OF A TRANSACTED DISTRIBUTION SYSTEM

This schedule provides a list of conditions which the *Minister* has determined to impose pursuant to clause 6(1)(b) of Schedule 2 of the *Electricity Supply Act 1995* (the **Act**) on the operator of a *transacted distribution system* under the *Electricity Network Assets (Authorised Transactions) Act 2015*.

In addition to Ministerially-imposed conditions, licensees are subject to obligations imposed by the *Act*, *Regulations* and associated regulatory instruments which include (without limitation) an obligation to comply with requirements imposed by or under regulations made pursuant to section 111A of the *Environmental Planning and Assessment Act 1979*.

GENERAL CONDITIONS

1 Operate within Distribution District

At all times this *Licence* is in force, the *Licence Holder* must ensure that it and all other network operators of its *distribution system* only operate a *distribution system*:

- (a) within its *distribution district* as set out in Schedule 3 of the *Act*;
- (b) within such other areas outside of its *distribution district* in which the *Licence Holder* operates a *distribution system* as at the date of this *Licence*, as set out or described in Schedule 1 to these conditions; and
- (c) within such other areas outside of its *distribution district* as agreed and authorised by the *Tribunal* and the *Licence Holder* for the relevant *distribution district*.

2 National Electricity Market registration

At all times this *Licence* is in force, the *Licence Holder* must ensure that it and all other network operators of its *distribution system*:

- (a) are registered or exempt from the requirement to be registered as a Network Service Provider under the National Electricity Rules; or
- (b) hold any equivalent authorisation or right of participation in any national electricity market, granted by the person responsible for the granting of such an authorisation or right of participation under any legislation enacted for the purpose of introducing such a market.

3 Technical and prudential criteria

The *Licence Holder* must, for the duration of this *Licence*, ensure that it and all other network operators of its *distribution system* satisfy the technical and prudential criteria that each entity is required to meet as a condition of its registration or exemption, or equivalent authorisation or right of participation in any national electricity market, referred to in condition 2.

RELIABILITY AND PERFORMANCE CONDITIONS

4 Network overall reliability standards

- 4.1 A Licence Holder must not, when *excluded interruptions* are disregarded, exceed in a financial year the SAIDI average standards that apply to its feeder types.
- 4.2 A Licence Holder must not, when *excluded interruptions* are disregarded, exceed in a financial year the SAIFI average standards that apply to its feeder types.

5 Individual feeder performance

- 5.1 This condition applies where one or more of the feeders of a Licence Holder exceed the relevant *individual feeder standards* for any 12 month period ending at the end of March, June, September or December, when *excluded interruptions* are disregarded.
- 5.2 A Licence Holder must:
- (a) investigate the causes for each feeder exceeding the *individual feeder standards*;
 - (b) by the end of the quarter following the quarter in which the feeder first exceeded the *individual feeder standards*, complete an investigation report identifying the causes and as appropriate, any action required to improve the performance of each feeder to the *individual feeder standards*;
 - (c) complete any operational actions identified in the investigation report to improve the performance of each feeder against the *individual feeder standards* by the end of the third quarter following the quarter in which each feeder first exceeded the *individual feeder standards*;
 - (d) except as permitted by condition 5.2(e), where the investigation report identifies actions, other than operational actions, required to improve the performance of each feeder to the *individual feeder standards*, develop a project plan, including implementation timetable, and commence its implementation by the end of the second quarter following the quarter in which the feeder first exceeded the *individual feeder standards*;
 - (e) consider non-network strategies which provide reliable outcomes for customers. Where found by the investigation report to be equal or more cost-effective than the lowest cost feasible network option such strategies shall be adopted rather than network augmentation options;
 - (f) ensure that the implementation timetable for the network project plan or alternative non-network solutions is as short as is reasonably practicable;
 - (g) where all reasonable steps to improve supply reliability have been taken, the costs of further actions to rectify the non-compliance must be subject to a cost benefit analysis. Where such analysis does not provide a positive benefit, no further action will be taken to improve the feeder's performance and the ongoing non-conformance with the *individual feeder standards* will be reported to the Minister by the Licence Holder.
- 5.3 The investigation report is to include a documented rectification plan where action is found to be justified in order to improve the performance of a feeder to the *individual feeder standards*. The action that is required may involve work to other network elements, or may involve only repair or maintenance work where capital works are not warranted and take into account any one-off events and previous performance trends.

6 Customer service standards

- 6.1 A *Licence Holder* must pay the sum of \$80 to a *customer* on each occasion when the *Licence Holder* exceeds the *interruption duration standard* at the *customer's* premises and the *customer* has made a claim to the *Licence Holder* within three months of the interruption ceasing.
- 6.2 A *Licence Holder* must pay the sum of \$80 to a *customer* where the *Licence Holder* exceeds the *interruption frequency standard* at the *customer's* premises in a *financial year* and the *customer* has made a claim to the *Licence Holder* within three months of the end of the *financial year* to which the interruptions relate.
- 6.3 A *Licence Holder* must determine a claim for payment under condition 6, and notify the *customer* of the determination in writing, within one month of receipt of a claim. For *customers* eligible for payment, the notice of determination must include the amount to be paid, the manner of payment and the timing of payment. Where the claim is not paid (whether in part or in full), the notice of determination must include reasons for the decision.
- 6.4 A *Licence Holder* is required to take reasonable steps to make *customers* aware of the availability of payments on the terms set out in condition 6. Reasonable steps include, as a minimum, publication of information on the *Licence Holder's* website and annual newspaper advertisements. On request from a *customer*, a *Licence Holder* must provide written information on the availability of payments on the terms set out in condition 6.
- 6.5 A *Licence Holder* is required to make only one payment of \$80 to a *customer* per premises in a *financial year* for exceeding the *interruption frequency standard*.
- 6.6 A *Licence Holder* is required to pay no more than \$320 under condition 6 to a *customer* per premises in any one *financial year*.
- 6.7 A payment under this condition does not:
- (a) in any way alter or diminish any rights that a *customer* may have against any person under any trade practices or other applicable legislation, common law or contract;
 - (b) represent any admission of legal liability by the *Licence Holder*; or
 - (c) alter, vary or exclude the operation of section 119 of the *National Electricity Law* or any other statutory limitations on liability or immunities applicable to a *Licence Holder*.
- 6.8 *Customers* who are eligible for payments under this clause are limited to those *customers* who are supplied electricity through a metered connection point on an electricity distributor's system.

7 Performance monitoring and reporting

Network overall reliability standards report

- 7.1 A *Licence Holder* must submit a *network overall reliability standards* quarterly report to the *Tribunal* within one month of the end of each *quarter*.
- 7.2 Each *network overall reliability standards* report must include the following matters for the previous 12 month period to the end of that *quarter*:
- (a) performance against the *SAIDI average standards* and *SAIFI average standards* by *feeder type*, disregarding *excluded interruptions*;

- (b) reasons for any non-compliance by the *Licence Holder* with the *network overall reliability standards* and plans to improve performance; and
- (c) any other matter notified by the *Tribunal* in writing.

Individual feeder standards report

7.3 A *Licence Holder* must submit, within one month of the end of each *quarter*, a quarterly *individual feeder standards* report to the *Tribunal* on *feeders* that exceeded the relevant *individual feeder standards* during the previous 12 month period to the end of that *quarter*, together with, for each *feeder*:

- (a) the date at which the *feeder* first exceeded the relevant *individual feeder standard*, together with the actual *SAIDI* and *SAIFI* performance of the *feeder* for the 12 month period;
- (b) details of the remedial action that the *Licence Holder* intends taking, or has taken, to improve the performance of those *feeders*;
- (c) either of the following:
 - (i) the date of completion, or the date of planned completion, of the remedial action plan; or
 - (ii) details of the investigation and action proposed or undertaken leading to the decision to advise the *Tribunal* that it is not economically justifiable to bring the *feeder* performance into compliance with the *individual feeder standards*; and
- (d) any other matter notified by the *Tribunal* in writing.

Customer service standards report

7.4 A *Licence Holder* must submit a quarterly *customer service standards* report to the *Tribunal* on the following matters within one month of the end of each *quarter*, for the preceding *quarter* and for the previous 12 month period to the end of that *quarter*:

- (a) the number of payments given under condition 6 to *customers* by each type of area listed in Column 1 of Table 1 of Schedule 5 and by the type of standard, as shown in Columns 2 and 3 of Table 1 of Schedule 5;
- (b) the number of claims not paid (whether in part or full) under condition 6 by each type of area listed in Column 1 of Table 1 of Schedule 5 and by the type of standard, as shown in Columns 2 and 3 of Table 1 of Schedule 5; and
- (c) any other matter notified by the *Tribunal* in writing.

Incident reporting

7.5 A *Licence Holder* must prepare and submit reports on any incident in accordance with any *Reporting Manuals* issued by the *Tribunal*.

Independent audit report

7.6 An independent audit must be conducted after the end of each *financial year* to audit the *Licence Holder's* performance against the:

- (a) *network overall reliability standards*;
- (b) *individual feeder standards*; and
- (c) *customer service standards*.

- 7.7 The audit must be conducted in accordance with any *Audit Guidelines* issued by the *Tribunal*.
- 7.8 A *Licence Holder* is required to nominate a person to conduct the independent audit by written notice given to the *Tribunal* in accordance with auditor nomination procedures published in any *Audit Guidelines* issued by the *Tribunal*.
- 7.9 The person nominated to conduct the independent audit is to be a person who is:
- (a) independent of the *Licence Holder*; and
 - (b) competent to exercise the functions of an auditor in respect of the matters to be audited.
- 7.10 The nomination of an auditor by a *Licence Holder* ceases to have effect if the *Tribunal* advises the *Licence Holder*, by notice in writing, that the nomination is not acceptable or has ceased to be acceptable.
- 7.11 The *Tribunal* may nominate an auditor to carry out an audit, and the person so nominated is taken to have been nominated by the *Licence Holder*, if:
- (a) the nomination of an auditor by the *Licence Holder* ceases to have effect; or
 - (b) the *Licence Holder* fails to nominate an auditor to carry out the audit in accordance with any requirements specified by the *Tribunal* by notice in writing to the *Licence Holder*.
- 7.12 A *Licence Holder* must provide a copy of the auditor's report by 30 September each year to the *Tribunal*.

General matters concerning reports

- 7.13 Where the *Tribunal* determines the format of a report required by this condition, a *Licence Holder* must submit the report in that format.
- 7.14 The *Tribunal* may from time to time publish requirements to be followed by the *Licence Holder* in respect of reports required by this condition and the *Licence Holder* must comply with any such requirements.
- 7.15 The *Tribunal* may from time to time require, by notice in writing to the *Licence Holder*, further reports relating to these licence conditions including, without limitation, reports relating to capital expenditure works, network refurbishment and maintenance programs.
- 7.16 A *Licence Holder* must provide a report submitted to the *Tribunal* under this condition to the *Minister*, if requested to do so by the *Minister* by notice in writing.

8 Business continuity and disruptions

- 8.1 The *Licence Holder* must have a documented system to ensure that it has adequate arrangements in place to identify, assess and manage business continuity risks and manage business disruptions relating to the operation of its *distribution system* (a ***Business Continuity Plan***).
- 8.2 The *Licence Holder* must ensure that it and any other network operator of its *distribution system* implements and complies with the *Business Continuity Plan*.

CRITICAL INFRASTRUCTURE LICENCE CONDITIONS

For the purposes of conditions 9, 10 and 11 of this Licence, it is acknowledged that the assets which the Licence Holder operates may constitute "critical infrastructure" being those physical facilities, supply chains, information technologies and communication networks which, if destroyed, degraded or rendered unavailable for an extended period, would significantly impact on the security, social or economic wellbeing of the State of New South Wales and other States and Territories which are from time to time electrically interconnected with New South Wales and other States and Territories. These licence conditions will be reviewed by the Minister from time to time (and where necessary) in consultation with responsible Ministers of the Commonwealth and relevant States and Territories.

9 Substantial presence in Australia

9.1 The *Licence Holder* must take all practical and reasonable steps to ensure:

- (a) the maintenance of its *distribution system* is undertaken solely from within Australia, except where maintenance requires either physical servicing of components offshore or the acquisition of replacement components from outside Australia. In such an instance it is the responsibility of the senior officer responsible for network operations to ensure this maintenance does not impact condition 9.2; and
- (b) that any third party or non-*Licence Holder* employee, including individuals/entities from outside Australia, undertaking maintenance of the *distribution system* is subject to the approval of the senior officer responsible for network operations.

9.2 The *Licence Holder*:

- (a) must, by using best industry practice for electricity network control systems, ensure that operation and control of its *distribution system*, including all associated ICT infrastructure, can be accessed, operated and controlled only from within Australia, and that its *distribution system* is not connected to any other infrastructure or network which could enable it to be controlled or operated by persons outside Australia;
- (b) must notify the *Commonwealth Representative* in advance of any engagement with the market to procure a contract under which it outsources the operation and control of its *distribution system*, including any ICT infrastructure associated with the operation and control of its *distribution system*;
- (c) will be taken to have satisfied condition 9.2(a) for the duration of the period set out in an *approved plan* if the *Licence Holder*:
 - (i) has a plan approved by the *Minister*, in the case of a plan approved as of the first issue of this *Licence*, or any other plan or amended plan approved by the *Tribunal* subsequent to the first issue of this *Licence* (each an **approved plan**); and
 - (ii) is at the relevant time undertaking the steps that are required to be undertaken in that *approved plan*.

9.3 The *Licence Holder* must:

- (a) have at least two directors who are Australian citizens; and
- (b) have senior officers responsible for (notwithstanding their title):
 - (i) operational technology;
 - (ii) network operations; and

(iii) security operations

in relation to its *distribution system*,

who are persons residing in Australia and hold an appropriate national security clearance, being a clearance of not less than Negative Vetting Level 1 (or equivalent) issued by the NSW Government on advice from the Australian Government Security Vetting Agency (AGSVA).

Note: For the purposes of Licence condition 9.3(b):

The senior officer responsible for operational technology is the officer whose responsibilities include:

- *Delivering the Supervisory Control and Data Acquisition (SCADA) capability required to safely and reliably operate the NSW distribution system;*
- *Developing and implementing strategies to manage cyber security and other threats affecting the network operational technology environment; and*
- *Developing systems for effectively managing assets remotely, including but not limited to network switches, condition monitoring and remote interrogation or operation of protection systems and relays; and*

The senior officer responsible for network operations, is the officer whose responsibilities include:

- *The day to day operation, monitoring and maintenance of the distribution system; and*
- *Directing the operational planning, management, control and security of the distribution system.*

The senior officer responsible for security operations, is the officer whose responsibilities include:

- *Approval for the Licence Holder's personnel or other nominated personnel to access the Licence Holder's information systems or physical access to the Licence Holder's premises and associated infrastructure;*
- *Personnel security; and*
- *Managing relationships with Commonwealth and state government agencies.*

9.4 The *Licence Holder* is not in breach of its obligations under:

- (a) condition 9.3(a) if, in the case of a casual vacancy on the board of directors, the vacancy is filled within two months of the casual vacancy first occurring;
- (b) condition 9.3 if:
 - (i) following the first issue of these conditions to the *Licence Holder*; or
 - (ii) any position identified in condition 9.3 being vacated or the relevant person ceasing to satisfy the qualifications set out there for any reason,

the *Licence Holder*:

- (iii) procures the appointment of a person to the relevant position that the *Licence Holder* bona fide believes will be able to obtain the required security clearance; and
- (iv) has procured that the person apply for the required security clearance.

9.5 The exception in condition 9.4(b) ceases to apply to the *Licence Holder* if:

- (a) an appointment and application for national security clearance for the person is not made within 4 months of (as relevant) the first issue of these conditions or the relevant vacancy or disqualification occurring; or
- (b) if the application referred to in condition 9.5(a) is made and is rejected or withdrawn, the *Licence Holder* does not procure a replacement application being made within 4 months of that rejection or withdrawal; or
- (c) the *Licence Holder* does not procure compliance with condition 9.3(b) in any event with respect to any position within 8 months (or such longer period as approved in writing by the *Minister*) of (as relevant) the first issue of these conditions or the relevant vacancy occurring.

10 Data security

10.1 The *Licence Holder* must ensure that:

- (a) all of its information (being design specifications, operating manuals and the like) as to the operational technology (such as the SCADA system) and associated ICT infrastructure of the operational network is held solely within Australia, and that such information is accessible only by a *Relevant Person* who has been authorised by the *Licence Holder* and only from within Australia;
- (b) all:
 - (i) data as to the quantum of electricity delivered (both historical and current load demand) from or to any one or more sites (or their connection points); and
 - (ii) bulk personal information within the meaning of the *Privacy Act 1988* (Cth), relating to or obtained in connection with the operation of the *distribution system* by a *Relevant Person* is held solely within Australia, and is accessible only by a *Relevant Person* or a person who has been authorised by the *Licence Holder*; and
- (c) it does not export, and has appropriate security controls in place to prevent the export, of *Bulk Personal Data Records* relating to or obtained in connection with the operation of the *distribution system* by a *Relevant Person*, outside of Australia.

10.2 The *Licence Holder* is not in breach of its obligations under conditions 10.1(a), 10.1(b)(i) or 10.1(c) if the *Licence Holder* discloses, holds, uses or accesses any information or data referred to in those conditions, or the *Licence Holder* allows a *Relevant Person* approved by the senior officer referred to in condition 9.3(b)(i) to disclose, hold, use or access any information or data referred to in those conditions for the purposes of:

- (a) disclosure to a recognised stock exchange so that such information is made available publicly in compliance with a binding obligation on the part of the *Licence Holder* or that *Associate* to do so;

- (b) complying with any law of the Commonwealth of Australia, or of any of its States and Territories;
 - (c) disclosure to the financial, accounting, insurance, legal, regulatory and other advisers, auditors, insurers, security trustees and financiers (and each of their advisers) of *the Licence Holder*, any *Associate*, and any bona fide prospective purchaser of any interest in, or of any interest in the main undertaking of, the *Licence Holder* or any *Associate*, but in each case only to the extent necessary in order for those persons to provide the advisory or other services bona fide required of them;
 - (d) disclosure to participants, regulators and service providers in the electricity sector, provided it is in the ordinary course and in accordance with good electricity industry practice, and such information is required by those persons to provide the services or to perform the functions bona fide required of them;
 - (e) providing aggregated data which does not permit identification of sites or groups of sites (or their connection points) or their demand characteristics;
 - (f) allowing a service provider or contractor to hold, use or access information where that arrangement is approved by the Minister, in the case of arrangements approved as of the first issue of this *Licence*, and otherwise by the *Tribunal* in writing having regard to whether:
 - (i) the service provider or contractor is reputable; and
 - (ii) the service provider or contractor has data security systems in place to ensure information security is maintained;
 - (g) allowing a service provider or contractor who is a provider to the *Licence Holder* at the date of this *Licence* to hold, use or access information provided the *Licence Holder* is at the relevant time undertaking the steps that are required to be undertaken as set out in a plan (and for the duration of the period set out in that plan) related to that service provider or contractor approved by the Minister, in the case of a plan approved as of the first issue of this *Licence*, or any plan or amended plan approved by the *Tribunal* subsequent to the first issue of this *Licence* (each an **approved plan**);
 - (h) such other circumstances as approved by the *Tribunal* in writing.
- 10.3 The *Licence Holder* is not in breach of its obligations under condition 10.1(b)(ii) if a *Relevant Person* or a person authorised to access the information by the *Licence Holder* discloses, holds, uses or accesses personal information in accordance with the *Privacy Act 1988* (Cth).
- 10.4 The *Licence Holder* must ensure that third party data or information (including without limitation communications within the meaning of the *Telecommunications (Interception and Access) Act 1979* (Cth), personal information within the meaning of the *Privacy Act 1988* (Cth), and closed-circuit television footage) which is indirectly accessed or obtained by the *Licence Holder* because that third party data or information is transferred by a carrier or other party using the *Licence Holder's* infrastructure, are held by the *Licence Holder* solely within Australia, and are accessible only by a *Relevant Person* or a person who has been authorised by the *Licence Holder* and, in each case, only from within Australia.

10A Consultation with the Commonwealth

If the *Licence Holder* is a *Foreign Person*, in considering whether to provide or withhold approval under conditions 10.2(f) or 10.2(h), or whether to approve any plan or amended plan under conditions 9.2(c) or 10.2(g), the *Tribunal* must:

- (a) notify the *Commonwealth Representative* that the *Tribunal's* approval under conditions 9.2(c), 10.2(f), 10.2(g) or 10.2(h) (as applicable) is being sought by the *Licence Holder*; and
- (b) provide the Commonwealth with a reasonable opportunity to:
 - (i) request such information as the Commonwealth reasonably requires; and
 - (ii) make submissions to the *Tribunal* on whether the *Tribunal* should provide its approval, and if so, the terms upon which that approval should be provided,within a period ending not less than 60 calendar days from the date of notification under condition 10A(a) unless the Commonwealth Representative confirms in writing to the *Tribunal* that the Commonwealth does not intend to make any further requests or submissions in relation to the matter.

11 Compliance with critical infrastructure provisions

- 11.1 On 31 August each year, or such other date specified by the *Tribunal*, the *Licence Holder* must furnish a report to the *Tribunal* and the *Commonwealth Representative* detailing whether the *Licence Holder* has complied with conditions 9 and 10 over the preceding financial year to 30 June.
- 11.2 The report required under condition 11.1 must be audited by an *Approved Critical Infrastructure Auditor* by a date specified by the *Tribunal*. The audit required by this condition 11.2 must be a comprehensive audit and must meet any requirements specified by the *Tribunal*.
- 11.3 The *Tribunal* may provide guidance to the *Approved Critical Infrastructure Auditor* as to the *Licence Holder's* practices that have satisfied or will satisfy conditions 9 and 10.
- 11.4 The report required under condition 11.1 must be accompanied by a certification in writing supported by a resolution of the Board of the *Licence Holder* that, with respect to the relevant period:
 - (a) the *Licence Holder* has complied with conditions 9 and 10; or
 - (b) the *Licence Holder* has not complied with conditions 9 and 10, and certifying the nature and extent of each non-compliance and the steps taken by the *Licence Holder* to ensure compliance (and to preclude further non-compliance) and the timeframe within which it expects to achieve compliance.

CONDITIONS RELATING TO MANAGEMENT SYSTEMS

12 Maintenance of certified management systems

- 12.1 Within two years after the date of this *Licence*, the *Licence Holder* must have and maintain:
 - (a) an asset management system that is consistent with the International Standard ISO 55001 Asset Management System – Requirements; and

- (b) an environmental management system that is consistent with International Standard ISO 14001 Environmental Management,

which comply with this condition 12.

12.2 The *Licence Holder* must ensure that, by the time it is required to comply with condition 12.1:

- (a) its asset management system is certified by an appropriately qualified person to be consistent with International Standard ISO 55001 Asset Management System – Requirements; and
- (b) its environmental management system is certified by an appropriately qualified person to be consistent with International Standard ISO 14001 Environmental Management.

12.3 The *Licence Holder* must ensure that, once its asset management system and environmental management systems are each certified in accordance with condition 12.2, the certifications are maintained for the remainder of the duration of the *Licence*.

12.4 The *Licence Holder* must notify the *Tribunal*, in accordance with any *Reporting Manuals* issued by the *Tribunal*, of any significant changes it proposes to make to its asset management system or environmental management system.

13 Implementation of management systems

The *Licence Holder* must ensure that its asset management system and environmental management system are fully implemented and all relevant activities undertaken by it or any other network operator of its *distribution system* are carried out in accordance with the relevant management system.

CONDITIONS RELATING TO COMPLIANCE, REPORTING AND FEES

14 Reporting in accordance with Reporting Manuals

The *Licence Holder* must prepare and submit reports in accordance with any *Reporting Manuals* issued by the *Tribunal*.

15 Complying with Audit Guidelines issued by the Tribunal

The *Licence Holder* must comply with any *Audit Guidelines* issued by the *Tribunal*.

16 Compliance management systems

The *Licence Holder* must ensure internal systems are developed and maintained that are capable of effectively managing compliance with its *Licence*.

17 Compliance with statistical operating obligations

The *Licence Holder* must provide to the *Tribunal* such operating and statistics and performance indicators as may be required from time to time by the *Tribunal*. The *Tribunal* will provide the *Licence Holder* with reasons for its request when the initial request is made and after that when a

request relates to operating statistics and performance indicators that are of materially different type or category to that provided under the initial or subsequent request.

18 Information about compliance with Licence Conditions

The *Licence Holder* must furnish to the *Tribunal* (at such times and in respect of such periods as the *Tribunal* may determine and in the manner and form specified by the *Tribunal*) such information as the *Tribunal* may determine, to enable the *Tribunal* to ascertain whether or not the *Licence Holder* is complying with the conditions of its *Licence*, the *Act* or the *Regulations*.

19 Information about compliance with Employment Guarantees

19.1 The *Licence Holder* must furnish to the *Tribunal* (at such times and in respect of such periods as the *Tribunal* may determine and in the manner and form specified by the *Tribunal*) such information as the *Tribunal* may determine, to enable the *Tribunal* to ascertain whether or not the *Licence Holder* is complying with the 'Employment Guarantees' set out in Schedule 4 to the *Electricity Network Assets (Authorised Transactions) Act 2015*.

19.2 The *Licence Holder* must comply at its own expense and within a reasonable timeframe nominated by the *Tribunal*, with any request from the *Tribunal* to have information provided under condition 19.1 audited by an *Approved Auditor*.

20 Licence fees

20.1 It is a condition of this *Licence* that the *Licence Holder* pay such fees (annual or otherwise) in connection with the holding of the *Licence* as may be determined by the *Minister* from time to time.

20.2 The *Licence Holder* must pay the fees referred to in condition 20.1 in the manner and within the period specified by the *Tribunal*.

INTERPRETATION AND DEFINITIONS

Interpretation

In these *Licence* conditions, unless the context requires otherwise:

- (a) the singular includes the plural and vice versa;
- (b) headings are used for convenience only and do not affect the interpretation of these *Licence* conditions;
- (c) a reference to a documents includes the document as modified from time to time and any document replacing it;
- (d) the word "person" includes a natural person and any body or entity whether incorporated or not;
- (e) references to conditions are references to conditions in these *Licence* conditions.

Definitions

Expressions used in these *Licence* conditions that are defined in the *Act* or the *Regulations* have the meanings set out in the *Act* or the *Regulations*.

In these *Licence* conditions:

Act	means the <i>Electricity Supply Act 1995</i> .
Approved Auditor	means an auditor nominated in accordance with conditions 7.8 to 7.11 (inclusive).
Approved Critical Infrastructure Auditor	means an <i>Approved Auditor</i> who has been further approved by the <i>Tribunal</i> as having the necessary experience and expertise in system security or has otherwise demonstrated to the <i>Tribunal's</i> satisfaction the capability to audit compliance with the critical infrastructure licence conditions (being conditions 9, 10 and 11)
approved plan	has the meaning given to it in condition 9.2(c) and 10.2(g).
Associate	has the meaning given to that term in the <i>Corporations Act 2001</i> (Cth).
Audit Guidelines	means any document setting out audit requirements for <i>Licence Holders</i> which is prepared by the <i>Tribunal</i> and is available on its website at www.ipart.nsw.gov.au as amended from time to time.
Bulk Personal Data Records	means any holdings or files of personal information (within the meaning of the <i>Privacy Act 1988</i> (Cth)) about multiple individuals which contain fields or categories.
Business Continuity Plan	has the meaning given to it in condition 8.1.
CBD Sydney feeder	means a feeder forming part of the triplex 11kV cable system supplying predominantly commercial high-rise buildings, within the City of Sydney.
Commonwealth Representative	means the First Assistant Secretary, National Security Division, 3-5 National Cct, Barton ACT 2600.
customer	means a wholesale or retail customer who is supplied electricity through a connection point on an electricity distributor's system.
customer service standards	means the customer service standards in Schedule 5 to these conditions.
distribution system	means the distribution system of which the <i>Licence Holder</i> is a network operator.
distribution district	has the meaning given to it in Division 2 of Part 7 of the <i>Electricity Supply Act 1995</i> .
excluded interruptions	means excluded <i>interruptions</i> listed in Schedule 4 to these conditions.
feeder	means a high-voltage line operating at over 1kV and generally at or below 22 kV that connects between a <i>zone substation</i> and a <i>distribution substation</i> .
feeder type	means a <i>CBD Sydney feeder</i> , <i>long rural feeder</i> , <i>short rural feeder</i> or <i>urban feeder</i> as the case may be.
financial year	means the period commencing on 1 July and ending 30 June the following calendar year.

Foreign Person	has the meaning given to that term in the <i>Foreign Acquisitions and Takeovers Act 1975</i> (Cth) and the <i>Foreign Acquisitions and Takeovers Regulation 2015</i> (Cth).
individual feeder standards	means the individual feeder standards in Schedule 3 to these conditions.
interruption	means any temporary unavailability of electricity supply to a customer associated with an outage of the distribution system including outages affecting a single premises, but does not include disconnection.
interruption duration standards	means the interruption duration standards set out in Schedule 5 to these conditions.
interruption frequency standards	means the interruption frequency standards set out in Schedule 5 to these conditions.
Licence	means the distributor's licence authorising the <i>Licence Holder</i> to operate its <i>distribution system</i> .
Licence Holder	means a person who is the holder of a <i>Licence</i> .
local government area	has the meaning given in the <i>Local Government Act 1993</i>
long rural feeder	means a feeder with a total feeder length greater than 200 km which is not a CBD Sydney feeder or an urban feeder.
metropolitan	means the areas comprising the <i>local government areas</i> and <i>suburbs</i> listed in Schedule 7, but only to the extent that the <i>Licence Holder</i> may operate a <i>Distribution System</i> in the relevant areas in accordance with condition 1.
major event day	has the meaning given in Schedule 6.
Minister	means the <i>Minister</i> responsible for administering the <i>Act</i> .
network overall reliability standards	means the requirements imposed under condition 7 of these conditions.
non-metropolitan	means areas in NSW other than areas defined as <i>metropolitan</i> .
planned interruption	means an interruption that has been planned by the <i>Licence Holder</i> .
quarter	means a period of three months commencing 1 January, 1 April, 1 July and 1 October and concluding on the following 31 March, 30 June, 30 September and 31 December dates respectively, as the case may be.
Regulations	means regulations made under the <i>Act</i> .
Relevant Person	means the <i>Licence Holder</i> , any other network operator of the <i>distribution system</i> , and any person who is contracted or sub-contracted by the <i>Licence Holder</i> to work on the <i>distribution system</i> .
Reporting Manual	means any document setting out reporting requirements for <i>Licence Holders</i> which is prepared by the <i>Tribunal</i> and is available on its website at www.ipart.nsw.gov.au as amended from time to time.

SAIDI	means the average derived from the sum of the durations of each sustained customer interruption (measured in minutes), divided by the total number of customers (averaged over the financial year) of the <i>Licence Holder</i> .
SAIDI average standards	means the standards set out in item 1, Schedule 2.
SAIFI	means the average derived from the total number of sustained customer interruptions divided by the total number of customers (averaged over the financial year) of the <i>Licence Holder</i> .
SAIFI average standards	means the standards set out in item 2, Schedule 2.
short rural feeder	means a feeder with a total feeder route length less than 200 km, and which is not a CBD Sydney feeder or an urban feeder.
suburb	means an area defined by boundaries determined and gazetted by the Geographical Names Board of New South Wales.
transacted distribution system	means a transacted distribution system under the <i>Electricity Network Assets (Authorised Transactions) Act 2015</i> .
Tribunal	means the Independent Pricing and Regulatory <i>Tribunal</i> of New South Wales established under the <i>Independent Pricing and Regulatory Tribunal Act 1992</i> .
urban feeder	means a feeder with actual maximum demand over the reporting period per total feeder route length greater than 0.3 MVA/km and which is not a CBD Sydney Feeder.

SCHEDULE 1 – Authorised Areas

The *Licence Holder* is authorised to operate a *distribution system* within all areas outside of its *distribution district* in which the *Licence Holder* operates a *distribution system* as at the date of this *Licence*, including any such areas notified by the *Licence Holder* to the *Tribunal* for the purposes of inclusion on any register maintained by the *Tribunal*.

SCHEDULE 2 – NETWORK OVERALL RELIABILITY STANDARDS

1. SAIDI Average Reliability Duration Standards (Minutes per customer)

SAIDI (Minutes per customer)	
ENDEAVOUR ENERGY	
Feeder Type	
<i>Urban</i>	80
<i>Short-rural</i>	300
<i>Long-rural</i>	n/a

2. SAIFI Average Reliability Interruption Standards (Number per customer)

SAIFI (Number per customer)	
ENDEAVOUR ENERGY	
Feeder Type	
<i>Urban</i>	1.2
<i>Short-rural</i>	2.8
<i>Long-rural</i>	n/a

SCHEDULE 3 – INDIVIDUAL FEEDER STANDARDS

1. **SAIDI Individual Feeder Average Reliability Duration Standards (Minutes per customer)**

SAIDI (Minutes per customer)	
ENDEAVOUR ENERGY	
Feeder Type	
<i>Urban</i>	350
<i>Short-rural</i>	1000
<i>Long-rural</i>	1400

2. **SAIFI Individual Feeder Standards Average Reliability Interruption Standards (Number per customer)**

SAIFI (Number per customer)	
ENDEAVOUR ENERGY	
Feeder Type	
<i>Urban</i>	4
<i>Short-rural</i>	8
<i>Long-rural</i>	10

SCHEDULE 4 – EXCLUDED INTERRUPTIONS

The following types of *interruptions* (and no others) are *excluded interruptions*:

- (a) an *interruption* of a duration of one minute or less;
- (b) an *interruption* resulting from:
 - (i) load shedding due to a shortfall in generation;
 - (ii) a direction or other instrument issued under the *National Electricity Law, Energy and Utilities Administration Act 1987*, the *Essential Services Act 1988* or the *State Emergency and Rescue Management Act 1989* to interrupt the supply of electricity;
 - (iii) automatic shedding of load under the control of under- frequency relays following the occurrence of a power system under-frequency condition described in the *Power System Security and Reliability Standards* made under the National Electricity Rules;
 - (iv) a failure of the shared *transmission system*;
- (c) a *planned interruption*;
- (d) any *interruption* to the supply of electricity on a *Licence Holder's* distribution system which commences on a *major event day*; and
- (e) an *interruption* caused by a *customer's* electrical installation or failure of that electrical installation.

SCHEDULE 5 – CUSTOMER SERVICE STANDARDS

Interruption duration standard:

1. The *interruption duration standard* is the maximum duration, set out in column 2 of *table 1*, of an *interruption* to a *customer's* premises located in the relevant area in column 1 of *table 1*.

Interruption frequency standard:

2. The *interruption frequency standard* is the maximum number of *interruptions* in a financial year set out in column 3 of *table 1*, to a *customer's* premises located in the relevant area in column 1 of *table 1*:

Table 1

Column 1	Column 2	Column 3
Type of area in which <i>customer's</i> premises is located	<i>Interruption duration standard</i> (hours)	<i>Interruption frequency standard</i> (number of interruptions and hours of duration)
<i>metropolitan</i>	12	4 interruptions of greater than or equal to 4 hours
<i>non-metropolitan</i>	18	4 interruptions of greater than or equal to 5 hours

Interruptions to be disregarded

3. In calculating the *interruption duration standard* or the *interruption frequency standard* the following types of *interruptions* (and no others) are excluded:
 - (a) an *interruption* resulting from the following external causes:
 - (i) a shortfall in generation;
 - (ii) a failure or instability of the shared *transmission system*;
 - (iii) a request or direction from an *emergency service organisation*;
 - (b) a *planned interruption*;
 - (c) an *interruption* within a region in which a natural disaster has occurred and:
 - (i) the responsible Minister has made a declaration of a Natural Disaster enabling the NSW Disaster Assistance Arrangements to apply in respect of that natural disaster for that region; and
 - (ii) the *interruption* occurred during the period for which a declaration of a

Natural Disaster and NSW Disaster Assistance Arrangements were in effect;

- (d) an *interruption* caused by the effects of a *severe thunderstorm* or *severe weather* as advised by the Bureau of Meteorology. These effects may include the necessary operation of a circuit protection device which interrupts supply to *customers* in areas not directly impacted by the *severe thunderstorm* or *severe weather*.
- (e) an *interruption* caused by *third party* actions other than animal or vegetation interference (e.g. vehicle-hit-pole, vandalism) where the interruption is not also caused by any failure of the *Licence Holder* to comply with relevant plans, codes, guides or standards (e.g. low conductor clearance).

SCHEDULE 6 – MAJOR EVENT DAY

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Explanation and Purpose

The following process (“**Beta Method**”) is used to identify *major event days* which are to be excluded from the *network overall reliability standards* and *individual feeder standards*. The method is to be used provided that the natural log transformation of the data results closely resembles a Gaussian (normal) distribution. Where this is not the case, Ausgrid may seek the *Tribunal’s* approval to apply a different threshold value.

Its purpose is to allow major events to be studied separately from daily operation, and in the process, to better reveal trends in a daily operation that would be hidden by the large statistical effect of major events.

A *major event day* under the Beta Method is one in which the daily total system (i.e. not on a *feeder type* basis) SAIDI value (“**daily SAIDI value**”) exceeds a threshold value, *TMED*. The SAIDI is used as the basis of determining whether a day is a *major event day* since it leads to consistent results regardless of utility size and because SAIDI is a good indicator of operational and design stress.

In calculating the daily total system SAIDI, any *interruption* that spans multiple days is deemed to accrue on the day on which the *interruption* begins. That is, all minutes without supply resulting from an *interruption* beginning on a *major event day* are deemed to have occurred in the *major event day*, including those minutes without supply occurring on following days.

Determining a major event day

The *major event day* identification threshold value *TMED* is calculated at the end of each *financial year* for each *electricity distributor* for use during the next *financial year* as follows:

- (a) Collect daily SAIDI values for the last five *financial years*. If fewer than five years of historical data are available, use all available historical data for the lesser period.
- (b) Only those days that have a daily SAIDI value will be used to calculate the *TMED* (i.e. days that did not have any *interruptions* are not included).
- (c) Take the natural logarithm (\ln) of each daily SAIDI value in the data set.
- (d) Find α (Alpha), the average of the logarithms (also known as the log-average) of the data set.
- (e) Find β (Beta), the standard deviation of the logarithms (also known as the log-standard deviation) of the data set.

- (f) Complete the major event day threshold $TMED$ using the following equation: $TMED = e^{(\alpha + 2.5\beta)}$
- (g) Any day with daily *SAIDI* value greater than the threshold value $TMED$ which occurs during the subsequent *financial year* is classified as a *major event day*.

Treatment of a major event day

To avoid doubt, a *major event day*, and all *interruptions* beginning on that day, are excluded from the calculation of an *electricity distributor's SAIDI* and *SAIFI* in respect of all of its *feeder types*.

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SCHEDULE 7 – LIST OF METROPOLITAN AREAS

1. Local Government Areas		
ASHFIELD	HUNTERS HILL	PITTWATER
AUBURN	HURSTVILLE	RANDWICK
BANKSTOWN	KOGARAH	ROCKDALE
BAULKHAM HILLS	KU-RING-GAI	RYDE
BLACKTOWN	LAKE MACQUARIE	SHELLHARBOUR
BOTANY BAY	LANE COVE	STRATHFIELD
BURWOOD	LEICHHARDT	SUTHERLAND
CAMDEN	LIVERPOOL	SYDNEY
CAMPBELLTOWN	MANLY	WARRINGAH
CANTERBURY	MARRICKVILLE	WAVERLEY
CANADA BAY	MOSMAN	WILLOUGHBY
FAIRFIELD	NEWCASTLE	WOLLONGONG
GOSFORD	NORTH SYDNEY	WOOLLAHRA
HOLROYD	PARRAMATTA	WYONG
HORNSBY	PENRITH	

2. Suburbs	
A. Blue Mountains area	
BLACKHEATH	LINDEN
BLAXLAND	MEDLOW BATH
BULLABURRA	MOUNT RIVERVIEW
FAULCONBRIDGE	MOUNT VICTORIA
GLENBROOK	SPRINGWOOD
HAWKESBURY HEIGHTS	VALLEY HEIGHTS
HAZELBROOK	WARRIMOO
KATOOMBA	WENTWORTH FALLS
LAPSTONE	WINMALEE
LAWSON	WOODFORD
LEURA	YELLOW ROCK

B. Cessnock-Bellbird area	
ABERDARE	CESSNOCK
BELLBIRD	KEARSLEY
BELLBIRD HEIGHTS	NULKABA
C. Kiama area	
BOMBO	KIAMA HEIGHTS
KIAMA	MINNAMURRA
KIAMA DOWNS	
D. Kurri Kurri-Weston area	
ABERMAIN	PELAW MAIN
HEDDON GRETA	STANFORD MERTHYR
KURRI KURRI	WESTON
NEATH	
E. Maitland area	
ABERGLASSLYN	MOUNT DEE
ASHTONFIELD	OAKHAMPTON
BOLWARRA	OAKHAMPTON HEIGHTS
BOLWARRA HEIGHTS	PITNACREE
EAST MAITLAND	RAWORTH
HORSESHOE BEND	RUTHERFORD
LARGS	SOUTH MAITLAND
LORN	TELARAH
LOUTH PARK	TENAMBIT
MAITLAND	THORNTON
METFORD	WOODBERRY
MORPETH	

F. Newcastle Industrial area	
FERN BAY	WILLIAMTOWN
FULLERTON COVE	
G. Port Stephens area	
CORLETTE	SALAMANDER BAY
FINGAL BAY	SHOAL BAY
NELSON BAY	SOLDIERS POINT
H. Raymond Terrace area	
HEATHERBRAE	TOMAGO
RAYMOND TERRACE	
I. Richmond-Windsor area	
BLIGH PARK	NORTH RICHMOND
CLARENDON	RICHMOND
HOBARTVILLE	SOUTH WINDSOR
MCGRATHS HILL	VINEYARD
MULGRAVE	WINDSOR