

## Company Procedure

<b>GOVERNANCE</b>	Document No : CECP0002.31 Amendment No : 0 Approved By : CEO Approval Date : 05/11/2014 Review Date : 05/11/2017
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### CECP0002.31 NETWORK INVESTMENT GOVERNANCE

#### 1.0 PURPOSE

To provide guidance on the process to obtain endorsement for network investments in order to support investment decisions which are:

- streamlined – decision pathway flows are clear and efficient;
- consistent – assessment of needs, outcomes and risks are aligned; and
- relevant – appropriate information, both level and content, is submitted to the necessary forum to enable informed decisions.

Investment approvals are to be obtained in accordance with applicable delegations and sub-delegation of authority.

#### 2.0 SCOPE

This procedure applies to all network investments, whether operating or capital in nature.

#### 3.0 REFERENCES

##### Internal

CECP0001.01 - Board Policy (Leadership) – Delegation of Powers and Functions to the CEO and Power of Attorney

CECP0001.02 - Company Policy (Leadership) – Sub-Delegations of Authority by the Chief Executive Officer

CECP0002 - Board Policy (Governance) – Governance

CECP0002.03 - Board Policy (Governance) – Risk Management

CECP0002.31 - Company Policy (Governance) – Investment Governance Framework

CECP0002.32 - Company Procedure (Financial Management) – Investment Evaluation

CECP4001.01 - Company Procedure (Governance) – Policy and Procedure Framework (Business Management System): Preparation and Amendments of Documents

CEOF7780.01 - Company Form Gate 2 Network Project Approval Template

CEOF7780.02 - Company Form Gate 3 Network Project Approval Template

Company Form Summary Sheet Template

Company Form Variation Network Project Approval Template

Company Procedure (Network) – Network Portfolio Investment Plan Change Control

Network Steering Committee Charter

Networks NSW Investment Steering Committee Charter

Annexure A – RASCI Matrix

**External**

AS Records classification handbook – HB5031 – 2011

General Retention and Disposal Authority: Administrative Records GA28

ISO 31000:2009 – Risk Management – Principles and Guidelines

ISO 55000:2014 – Asset Management – Principles

**4.0 DEFINITIONS****Approve/Authorise**

To formally give sanction to a decision that may have internal or external consequences. An approver only has the authority for decisions within the scope of his/her normal area of responsibility.

All approvals must be explicitly documented through the online/system approval or otherwise eg email trail or signature) and kept accessible to establish an audit trail for future reference.

All approvals must comply with company policies on sub-delegation of authority.

**Business Management System (BMS)**

The integrated policy and procedure framework that contains the approved version of documents.

**Capital**

Any project, network or non-system expenditure which provides service potential or future economic benefit to the company.

**Data Book**

A collection of all project and program Summary Sheets for the business.

**Direct cost**

Represents charges that can be readily identified with respect to a particular task/activity. The quantity and cost of materials and contractors, as well as the cost of direct labour engaged on the task, are included in the direct costs.

**Document Control**

Employees who work with printed copies of documents must check the BMS regularly to monitor version control. Documents are considered “uncontrolled if printed”, as indicated in the footer.

**Endorse**

To express support for a decision.

**Estimated project/program value**

Project/program related expenditure that includes the direct capital cost of the project/program, direct operating cost of the project/program, allocated overhead cost, plus contingencies.

**Executive Leadership Group (ELG)**

An executive committee that operates across Networks NSW. The purpose, duties, membership and responsibilities of the ELG are contained within the committee’s charter.

**Investment Evaluation Unit**

Manager – Group Investment Evaluation and representatives from the network businesses that conduct financial analysis and review in accordance with the Company Procedure – Investment Evaluation.

**Networks NSW Investment Steering Committee (ISC)**

A committee that supports the CEO and Board in the evaluation of network investments. It provides increased alignment of programs across the operating companies by applying consistent review criteria. The purpose, duties, membership and responsibilities of the ISC are contained within the committee's charter.

**Network capital**

Capital investment in assets that directly forms part of or directly support the company's transmission network, sub-transmission network or distribution network eg transmission, sub-transmission, distribution substations and feeders; meters; public lighting, SCADA or the network assets and system-related property holdings.

**Network investment**

A capital or operating investment that directly supports the electrical network.

**Networks NSW (NNSW)**

Should be construed as a reference to Ausgrid, Endeavour Energy and Essential Energy each acting severally under the Umbrella Cooperation Agreement dated 1 July 2012 to achieve efficiency benefits.

**Network PIP Change Control**

A process for governing changes to network investments in the approved PIP.

**Network Steering Committee (NSC)**

A committee that supports the ISC in the evaluation of network investments. It provides increased alignment of programs across the operating companies by applying consistent review criteria. The purpose, duties, membership and responsibilities of the NSC are contained within the committee's charter.

**Non-System investment**

A capital or operating investment that indirectly supports the electricity network.

**Operating Expenditure**

Expenditure required for the carrying out of works or the supply of goods and services required for the day to day functions of the company.

**Overhead cost**

Expenditure necessarily incurred in supporting value adding tasks/activities that cannot be readily identified as the portion belonging to the value adding task/activity.

**Portfolio**

A group of projects and/or programs at the company level or within a manager's area of responsibility.

**Portfolio Investment Plan (PIP)**

A portfolio of investments that have received Gate 1 approval from the Board.

**Program**

In the context of a network based program is a collection of projects that are:

- (a) Similar with respect to their asset category, delivery and objectives; and
- (b) Are independent of each other but share or contribute to a common risk profile.

In the context of a non-system based program is a collection of projects that are:

- (a) Highly inter-related in their delivery and objectives, such that each project is dependent upon the other; and/or
- (b) Connected in such a way that realisation of the anticipated benefits cannot be achieved without delivery of each of the component projects.

### Project

A project is a discrete, non-recurring scope of effort that has explicit objectives and operates via a nominated schedule, budget and resources.

### Recordkeeping

Making and maintaining complete, accurate and reliable evidence of business transactions in the form of recorded information (Source: AS Records classification handbook – HB5031 – 2011).

### Review date

The review date displayed in the header of the document is the future date for review of a document. The default period is three years from the date of approval however a review may be mandated at any time where a need is identified due to changes in legislation, organisational changes, restructures, occurrence of an incident or changes in technology or work practice.

### Statement of Corporate Intent (SCI)

A document which outlines objectives, major activities and performance targets for the financial year, consistent with the Government's policy and budgetary requirements.

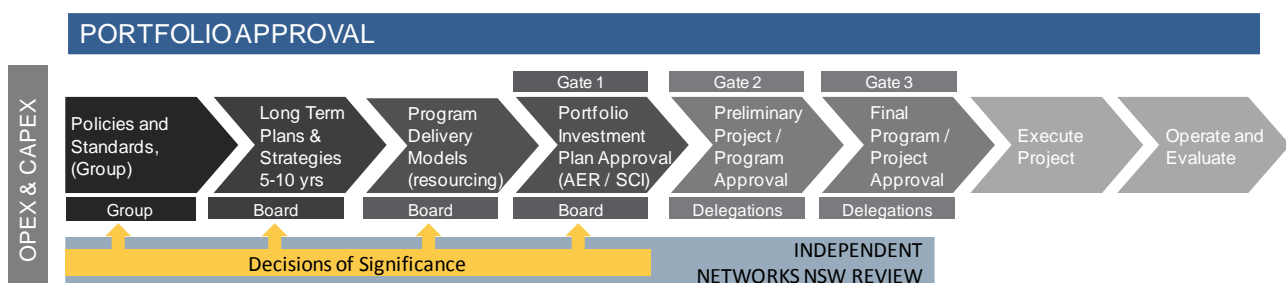
### Summary Sheet

Details the needs, risks and outcomes (both technical and financial) for each project and program within the prioritised portfolio.

## 5.0 ACTIONS

The company maintains an Investment Governance Framework (IGF) to provide clear guidance and accountability in respect of the development, determination and authorisation of investments, both network and non-system. This framework provides the basis for transparently and efficiently making investment decisions by taking into account a full life cycle approach to such investments, and thereby providing assurance to the Board and other stakeholders that investment decisions made are efficient, consistent and informed.

The key stages in respect of network investments are shown in the diagram below and a RASCI matrix is provided at Annexure A.



At a Networks NSW level there are two committees that support the IGF in respect of network investments:

- the Network Steering Committee (NSC); and

- the Investment Steering Committee (ISC).

The purpose, duties and responsibilities of the committees are contained in each committee's charter.

Each of the steps in the above diagram is described in detail below:

### 5.1 Engineering policies and standards



Development of consistent engineering policies and standards can be originated by either the Group Manager Asset Strategy and Performance (GM-AS&P) or the Chief Engineer (CE).

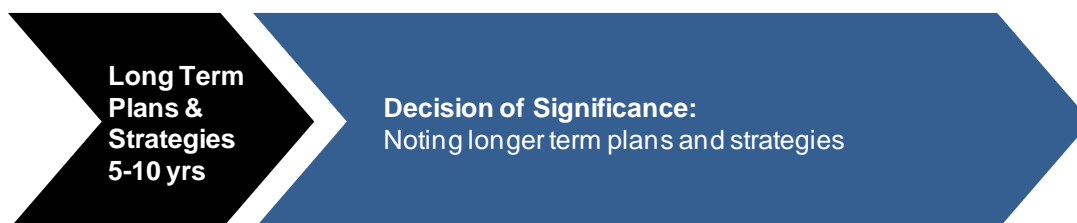
Generally, development of a common policy or standard will be lead by the Group Manager Asset Strategy and Performance, while development of a company specific policy or standard will be lead by the Chief Engineer.

In addition to the mandatory endorsements and approval required in accordance with Company Procedure (Governance) – Policy and Procedure Framework (BMS): Preparation and Amendment of Documents, the following additional endorsements (outlined in the table below) are required where:

- the financial impact of the change is greater than +/- \$20m over the forward five year budget; or
- there is a material change in risk profile.

Type	Endorsement
Common policy / standard	CE NSC ISC
Company specific policy / standard	GM-AS&P NSC ISC

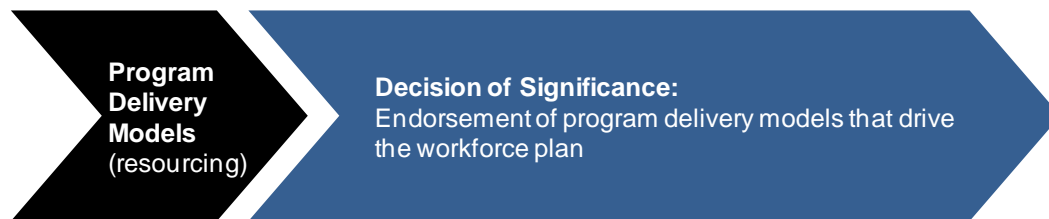
### 5.2 Area plans (5-10 years)



The Chief Engineer is to develop the longer term plans and strategies, using consistent engineering policies and standards, and submit them to the NSC, ISC and Board for information. The long term plans and strategies are approved by the COO.

For projects referenced in a long term plan or strategy, the relevant long term plan or strategy is to be submitted at least three months prior to a Gate 2 approval being submitted to the Board.

### 5.3 Program delivery models (resourcing)



The General Manager Network Development is to develop, in consultation with the General Manager Network Operations and other resource managers, the Network Resource Demand (NRD) Plan. The NRD Plan considers the resource requirements by work program or job type, delivery models, current resource utilisation rates and productivity requirements.

The NRD Plan is a key input into the workforce planning process. It is based on the investment needs, as identified by the Chief Engineer, and is submitted to the NSC, ELG and Board for information. The NRD is approved by the COO and the Group Executive – Network Strategy.

As the NRD Plan is a key input into development of the business' annual portfolio investment plan (Gate 1), the timeframe for completion will be driven by the internal requirements of each business, but it must be completed in sufficient time to feed into the annual Gate 1 approval process (outlined below).

A decision by the Board at Gate 1 to change the portfolio investment plan may result in a review of the NRD Plan.

### 5.4 Portfolio Investment Plan (PIP) approval (Gate 1)



A preliminary view of Gate 1 is to be provided to the Board in October each year for review and feedback. A final portfolio investment plan is to be submitted to the Board for approval in November each year. The portfolio approved at Gate 1 becomes the baseline for the annual budget/SCI and for the regulatory proposal (in years when a proposal is submitted to the regulator).

Network investment is to be prioritised within a risk based investment prioritisation system. The Group Manager Asset Programs, in consultation with the Group Manager Asset Strategy and Performance, is responsible for:

- establishing the prioritisation system;
- communicating the annual timetable;
- co-ordinating the annual prioritisation process;
- providing a consistent risk assessment across NNSW; and
- submitting the consolidated network investment portfolio to the Investment Evaluation Unit for financial analysis prior to submission to the Board, via the NSC and ISC, for approval.

The Chief Engineer is responsible for developing the network investment portfolio based on network needs and prioritising the portfolio, within the prioritisation system, based on risk. The General Manager Network Development is to assess delivery risks and constraints to the prioritised portfolio and provide resulting variations back to the Chief Engineer to facilitate development of an agreed portfolio.

The Chief Engineer is responsible for maintaining supporting company procedures in respect of the development of the network investment portfolio.

Upon approval of the portfolio, the Chief Engineer is to provide a Summary Sheet for each program and project within the prioritised portfolio and obtain Chief Operating Officer (COO) sign off on the annual Data Book.

## 5.5 Preliminary project / program approval (Gate 2)



Approval at this gate provides for preliminary investment. At this gate governance is primarily testing the network need for the project/program, prior to proceeding to the detailed estimate stage. Submissions are to be made using the Gate 2 Network Project Approval template.

Gate 2 approval provides approval to:

- complete project/program design;
- place orders for long lead time standard equipment; and
- seek pricing from the market for externally delivered works.

Land and easement acquisitions resulting from an area planning process may occur prior to gate 2 and would be subject to delegated approval.

Gate 2 approval does not provide approval to award non recoverable contracts (ie civil/construction).

Some costs may need to be incurred in developing a project/program to the point of Gate 2 approval. Costs may only be incurred if the project/program was included in the Gate 1.

A PIP change control must be completed in accordance with Company Procedure (Network) Network Portfolio Investment Plan Change Control by the Chief Engineer if the project/program is not included in the current Gate 1 approval and costs need to be incurred to develop the project/program up to Gate 2 approval. The change control must be approved prior to commencing development and incurring costs.

The Chief Engineer is to identify the network need and develop a business case/approval documentation seeking Gate 2 approval.

Submissions must be prepared in accordance with Company Procedure (Financial Management) – Investment Evaluation.

Gate 2 approval is to be obtained in sufficient time to allow for delivery of the project/program in accordance with the system need date.

All submissions must be appropriately endorsed prior to approval under sub-delegation.

Estimated Program/Project Value	Endorsement
> \$1m < \$5m	CE
≥ \$5m	NSC ISC

The Chief Engineer is to maintain supporting company procedures in respect of Gate 2 approvals which should include endorsement responsibility for projects and programs with an estimated value below \$1m and required submissions to any additional business specific governance committees.

Gate 2 approvals are to be in accordance with the sub-delegation schedules.

### 5.6 Final project/program approval (Gate 3)



Post Gate 2, responsibility for development and approval of the project/program moves from the Chief Engineer to the General Manager Network Development.

Gate 3 approval provides final investment approval to complete project/program delivery. At this gate governance is primarily testing the efficiency of the delivery model of the project/program and confirming the timing and cashflows. Submissions are to be made using the Gate 3 Network Project Approval template.

A PIP change control must be completed in accordance with Company Procedure (Network) Network Portfolio Investment Plan Change Control by the General Manager Network Development for projects with an estimated cost, including contingency, above \$5m if the technical and financial outcomes are not aligned to those at Gate 1 (as detailed in the Summary Sheet).

Gate 3 approval for individual projects within a program is provided by the appropriate delegated authority based on the value of the individual projects. Should a contract need to be awarded for external delivery of the program it is the value of the contract that determines the delegated authority to approve the contract.

Submissions must be prepared in accordance with Company Procedure (Financial Management) – Investment Evaluation.

All submissions must be appropriately endorsed prior to approval under sub-delegation.

Estimated Project/Program Value	Endorsement
> \$1m < \$5m	GM-ND
≥ \$5m	NSC ISC



The General Manager Network Development is to maintain supporting company procedures in respect of Gate 3 approvals which should include endorsement responsibility for projects and programs with an estimated value below \$1m and required submissions to any additional business specific governance committees.

Gate 3 approvals are to be in accordance with the sub-delegation schedules.

## **5.7 Execute project – variations**

The General Manager Network Development is to manage project and program delivery, whether delivered by internal resources or the market. The General Manager Network Development is to provide governance over project/program delivery (ie to time, cost and scope), so that that the network need, as specified by the Chief Engineer, is delivered.

Delivery is to be monitored for each individual project or program at the operational level with the manager accountable for delivery, through to portfolio reporting at the business executive level.

Milestones are to be set for delivery and achievement is to be monitored on a monthly basis to provide an early warning of projects that may not be meeting expected delivery outcomes.

If a project or program is flagged as at risk of not being delivered within the budgeted direct cost, time or scope a review process is to be commenced. Consideration is to be given to why the project is at risk, and what opportunities are available to mitigate the risk. The priority of the process is to achieve delivery and risk outcomes within the predetermined parameters of the business.

Where a project/program is proposed to be altered, the General Manager Network Development is to consult with the Chief Engineer to confirm endorsement that the project/program still meets the original need after any proposed changes.

Formal variations are to be raised by the General Manager Network Development seeking approval for a change when delivery and risk outcomes cannot be achieved within existing approval limits and there are no opportunities available to bring the project back within budgeted direct cost, time or scope while maintaining risk outcomes.

The General Manager Network Development is responsible for maintaining supporting company procedures for direct cost, time and scope change controls.

A variation in costs due to a change in overheads does not trigger a change control. Variations in overheads are governed through the monthly financial reporting process managed by Group Finance.

Network PIP change controls must be prepared in accordance with Company Procedure (Network) Network Portfolio Investment Plan Change Control.

All variations must be appropriately endorsed prior to approval under sub-delegation.

The General Manager Network Development is responsible for submitting variations to the relevant committee(s) for endorsement, in accordance with thresholds based on the variation amounts and/or revised estimated project/program value as specified in the table below.

Estimated Project/Program Value <sup>1</sup>	Endorsement
> \$1m < \$5m	CE GM-ND
≥ \$5m	NSC ISC

<sup>1</sup> In the case of variations the estimated value is the initial estimated project/program value approved at Gate 3 plus the cumulative value of variations to direct costs and contingencies.

The General Manager Network Development is to maintain supporting company procedures in respect of variation approvals which should include endorsement responsibility for projects and programs with an estimated value below \$1m and required submissions to any additional business specific governance committees.

## 5.8 Post implementation reviews

Completion of a post implementation review is an important step to enable lessons learnt during project planning, development and delivery to be documented and incorporated into future projects.

The General Manager Network Development is to maintain a documented and governed process providing for completion of post implementation reviews.

## 6.0 RECORDKEEPING

The table below identifies the types of records relating to the process, their storage location and retention period.

Type of Record	Storage Location	Retention Period*
Long term plans and strategies	<i>(Individual to each company)</i> Recordkeeping system	Required as State Archives – as determined by GA28 section 19.14.1
Group Executive – Network Strategy endorsed Data Book	<i>(Individual to each company)</i> Recordkeeping system	Required as State Archives – as determined by GA28 section 19.14.1
Board approved PIP (Gate 1)	<i>(Individual to each company)</i> Recordkeeping system	Required as State Archives – as determined by GA28 section 19.14.1
Project endorsements and approvals at Gate 2	<i>(Individual to each company)</i> Recordkeeping system	Required as State Archives – as determined by GA28 section 19.14.1
Project endorsements and approvals at Gate 3	<i>(Individual to each company)</i> Recordkeeping system	7 years after plan is superseded then destroy – as determined by GA28 section 19.14.3

Variation endorsements and approvals	(Individual to each company) Recordkeeping system	7 years after plan is superseded then destroy – as determined by GA28 section 19.14.3
Post implementation reviews	(Individual to each company) Recordkeeping system	7 years after plan is superseded then destroy – as determined by GA28 section 19.14.3

\* The following retention periods are subject to change eg if the records are required for legal matters or legislative changes. Before disposal, retention periods should be checked and authorised by the Records Manager.

## 7.0 AUTHORITIES AND RESPONSIBILITIES

**Chief Executive Officer** has the authority and responsibility for approving this procedure.

**Group Manager Asset Strategy and Performance** has the authority and responsibility for:

- development, with input from the Chief Engineer, of common network policies and standards;
- providing input into company specific engineering policies and standards; and
- obtaining approval for changes in engineering policies and standards in accordance with the criteria in this procedure.

**Chief Engineer** has the authority and responsibility for:

- providing input into the development of common engineering policies and standards;
- development of company specific engineering policies and standards with input from the Group Manager Asset Strategy and Performance;
- consultation with internal and external stakeholders as appropriate in the development of engineering policies and standards;
- obtaining approval for changes in engineering policies and standards in accordance with the criteria in this procedure;
- developing the longer term plans and strategies and submitting them to the NSC, ISC and Board for information;
- maintaining company procedures which support this procedure;
- developing the network investment portfolio and incorporating the portfolio within the risk based prioritisation system;
- providing a Summary Sheet for every program and project within the approved prioritised portfolio;
- obtaining COO sign off on the annual Data Book;

- identifying the network need and development of business case/approval documentation seeking Gate 2 approval;
- completing PIP change control where a project/program is not included in the current Gate 1 approval and costs need to be incurred to develop the project/program up to Gate 2 approval; and
- incorporating feedback and learnings from post implementation reviews into future projects.

**General Manager Network Development** has the authority and responsibility for:

- developing, in consultation with the General Manager Network Operations and other resource managers, the program delivery models for inclusion in the Network Resource Demand (NRD) Plan which is an input for the workforce planning process;
- submitting the NRD Plan, based on the network investment needs as identified by the Chief Engineer, to the NSC, ELG and Board for information;
- assessing delivery risks and constraints to the prioritised portfolio and providing resulting variations back to the Chief Engineer for inclusion in the final portfolio;
- maintaining company procedures which support this procedure;
- development of business case/approval documentation seeking Gate 3 approval;
- completing PIP change controls for projects with an estimated cost above \$5m where required by this procedure;
- managing project and program delivery;
- maintaining a governed process to provide adequate notice for any projects or programs at risk of not being delivered within their delivery elements – scope, time, and cost;
- consulting with the Chief Engineer to confirm endorsement that the project/program still meets the original need after any proposed changes;
- raising a formal variation seeking approval of additional funding when delivery and risk outcomes cannot be achieved within existing approval limits and there are no opportunities available to bring the project back within budget, while maintaining risk outcomes;
- maintaining a documented and governed process providing for completion of post implementation reviews; and
- incorporating feedback and learnings from post implementation reviews into future projects.

**Group Manager Asset Programs** has the authority and responsibility for:

- communicating the timetable, co-ordinating the annual prioritisation process, and providing for a consistent risk assessment across Networks NSW; and
- submitting the consolidated network investment portfolio to the Board, via the NSC and ISC, for approval.

**Managers** have the authority and responsibility for all employees within their area being compliant with this procedure.

**Employees** have the authority and responsibility for complying with this procedure.

## 8.0 DOCUMENT CONTROL

**Content Coordinator** : General Manager Network Development

**Distribution Coordinator** : GRC Process Coordinator

**ANNEXURE A – RASCI Matrix**

	Policies & Standards	Long Term Strategies / Plans	Program Delivery Models	PIP Approval (Gate 1)	Prelim Approval (Gate 2)	Final Approval (Gate 3)	Variations
Description	Technical triggers for investment	Development of 5-10 year plans	Delivery models that drive the workforce plan	Approval of the five year portfolio investment plan	Prelim approval based on need for the project / program	Final approval based on completed design and delivery model	Additional funding identified during delivery
Deliverables	Consistent network policies and standards	Plans based on consistent input standards	Approved delivery models for input into gate 1	Five year risk prioritised portfolio approved	Approval to complete design and order long lead inventory	Approval to deliver the project	Variation to initial estimate
Responsible (Manages the work)	GM-AS&P	CE	GM-ND	CE	CE	GM-ND	GM-ND
Approve (Sign off)	Note 1	COO	COO, GE-NS	COO, NSC ISC, CEO / Board	COO, NSC ISC, CEO / Board	COO, NSC ISC, CEO / Board	COO, NSC ISC, CEO / Board
Support (Provides resources or assistance)	CE	GM-ND	GM-P&S	GM-ND, GM-AP	GM-ND	CE	GM-NO, CE
Consult (May have relevant input)	GM-ND, GM-AP	GM-AS&P	GM-AP, CE, GM-NO	GM-AS&P, GM-AP	GM-AP	CE	GM-NO, CE
Inform (Should be kept in the loop)	GE-NS, COO	NSC ISC, Board	NSC ISC, Board	GE-NS COO	COO, GE-NS	COO, GE-NS	COO, GE-NS

Note 1: Refer to Common Company Procedure (Governance) Policy and Procedure Framework (Business Management System): Preparation and Amendment of Documents