

## Company Procedure

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| <b>NETWORK</b> | Document No : CECP0007.03<br>Amendment No : 0<br>Approved By : CEO<br>Approval Date : 19/11/2014<br>Review Date : 19/11/2015 |
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### CECP0007.03 NETWORK PORTFOLIO INVESTMENT PLAN CHANGE CONTROL

#### 1.0 PURPOSE

To outline the process to be followed in managing all Network Portfolio Investment Plan (PIP) changes in the combined Networks NSW master list. This is not a substitute for the time, cost and scope change request process which the business uses to manage variations on individual projects and programs. Where the business initiates a time/cost/scope change request they should consider the impact on the PIP and initiate a parallel Network PIP Change Control if required.

#### 2.0 SCOPE

The Portfolio Investment Plan is developed from data provided by the three NSW distributors and formatted into a single list under the facilitation of Group Asset Programs. The business uses a database, known as CASH, into which the forward works plan is loaded. The Network Portfolio Investment Plan is updated at key decision/reconciliation points in the financial year. The following list provides the typical PIP update milestones:

- the PIP is approved by the Board each year in November and is known as the Gate 1 Portfolio Investment Plan approval. This PIP is an input to the annual budgeting process. A Summary Sheet is provided by each business outlining the expenditure, milestone history and forecasts for each PIP project and program. All the Summary Sheets for a business are collated in the form of a data book;
- a reconciliation is carried out between the Gate 1 PIP and the SCI in April to identify any adjustments made to the plan during the budget process;
- after the SCI each year a review of the progress against the current year work plan is conducted and a new "Approved Position" may be determined by the Network Development PMO. This Approved Position will need to be aligned with an updated version of the PIP by the end of July and is signed off by the Chief Operating Officer (COO) and Group Executive – Network Strategy (GE-NS) as reflecting the outcomes (dollars & milestones) to be delivered in that year; and
- further updates of the "Approved Position" may occur at the September quarterly report and finally at the December quarterly report. There will be no changes to the current financial year approved position after December.

### 3.0 REFERENCES

#### Internal Common

CECP0001.01 - Board Policy (Leadership) – Delegation of Powers and Functions to the Chief Executive Officer  
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  
CECP0002.30 - Company Policy (Governance) – Investment Governance Framework  
CECP0002.31 - Company Procedure (Governance) – Network Investment Governance  
CEO0007.04 - Company Form (Network) – Summary Sheet  
CEO0007.05 - Company Form (Network) – Network PIP Change Control Form  
Annexure A – Network PIP Change Control Endorsement/Approval Matrix  
Networks NSW Investment Steering Committee Charter  
Network Steering Committee Charter

#### External

*Electricity Supply Act, 1995 (NSW)*  
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.

#### Approved Position

The Approved Position is the Network Portfolio Investment Plan adjusted by an endorsed and approved Network PIP Change Control Form. The approved position is initially aligned with the baseline SCI in April each year. Any changes to the work plan between April and June will be outlined in a new approved position in July for the start of the current financial year. Quarterly updates of the approved position may occur in September and December for that financial year. The final update is the December quarterly reconciliation which will be used for all end of year delivery and performance reporting.

#### Australian Energy Regulator (AER)

The national body charged with regulating the provision of energy within Australia.

#### Baseline

The baseline is the listing of projects and programs targeted for completion in the financial year initially recorded in the Gate 1 PIP approved by the Board. Each PIP line item is detailed in an individual summary sheet which outlines the forecast expenditure and milestones for its delivery. The baseline is set in November and reconciled to the April SCI each year.

**CCF**

Change Control Form – referring to the Network PIP Change Control Form.

**Change Control**

In this procedure it is a Change Control produced by the business to document changes in Time, Cost, Scope or Risk on projects and/or programs in their Portfolio Investment Plan. The change control process is managed by the Network Development Portfolio Management Office (PMO) but needs to include the Manager – Asset & Network Planning to enable alignment of the PIP with planning forecasts.

**Capital**

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

**CASH (Capital Allocation Selection Hierarchy)**

The model used to assess and prioritise network projects and programs based on risk.

**Data Book**

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

**Discretionary Trigger**

A change in data on a project or program which does not require the mandatory raising of a PIP Change Control. Refer to section 5.2.

**Document control**

Employees who work with printed copies of documents must check the Business Management System regularly to monitor version control. Documents are considered “UNCONTROLLED IF PRINTED”, as indicated in the footer.

**Endorse**

To express support for a decision.

**Mandatory Trigger**

A risk based change or gate 3 approval which falls into the criteria where the business must initiate a PIP Change Control. Refer to section 5.1.

**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; Supervisory Control And Data Acquisition(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 Form (PIP CCF)**

The Network PIP Change Control Form is the document produced by the business to detail the specific changes proposed to the PIP and formalise the endorsement and approval procedure to enable those changes to take effect.

**Network Steering Committee (NSC)**

A committee that supports that 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.

**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:

- similar with respect to their asset category, delivery and objectives; and
- are independent of each other but share or contribute to a common risk profile.

**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. The collection of Summary Sheets is called the Data Book. Refer to the Company Form Summary Sheet for layout.

## 5.0 ACTIONS

### 5.1 Network PIP Change Control

The Network PIP Change Control Process is to provide a governed process for changes to be made to the network Portfolio Investment Plan (PIP) reflecting changing business needs and portfolio mix. PIP data which is updated or amended by the business include risk order, yearly cash flows, primary driver and description.

The change control procedure managed by the Network Development PMO is focused on variations to scope, time and cost of individual projects and programs. It is not expected that every variation will initiate a Network PIP Change Control. An overview of PIP change triggers is provided below; however, it is the responsibility of the business to determine whether a change control will have a PIP impact. Any clarification can be sought from the Manager Network Governance (MNG) if required.

There are two types of triggers which may raise a Network PIP Change Control, mandatory and discretionary. An explanation of each is outlined below:

#### 5.1.1 PIP change mandatory triggers

The relevant data changes which will require the raising of a mandatory PIP Change Control are:

- any risk change on a project or program, up or down, by more than 300 risk points;
- movements into or out of the “Extreme” or “red zone” risk profile. These are required to be reported to the ISC and Board quarterly;
- new project and programs that increase the value of the total portfolio need to be included in the gate 1 approval along with Summary Sheets to enable their incorporation into the data book. The new projects and programs are required to be reported to the ISC and Board; and
- gate 3 approvals for \$5M or more projects where the costs in the current period vary to the current approved PIP.

**Note:** Gate 3 documents will be accepted in place of a PIP change control provided all relevant PIP change control data has been provided.

#### 5.1.2 PIP change discretionary triggers

All other common data changes deemed by the business to warrant the raising of a Network PIP Change Control are discretionary and should be incorporated into the business' change control procedures. Discretionary changes include cash flow adjustments, principle driver, description, project ID, etc.

**Note:** It is expected the SCI forecasting processes in the business will need to incorporate reconciliations and associated changes via this procedure.

### 5.2 Reporting requirements

On a quarterly basis the NSC, ISC and Board will receive a report on the variances from the previous version of the network Portfolio Investment Plan. The report also includes an update of the status of projects and programs in the “extreme” (red zone) risk category and new projects/programs that increase the value of the total portfolio.

### 5.3 PIP change control identification

The business has a specific block of CCF numbers which the MNG will register and issue on request as follows:

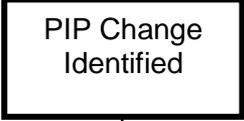
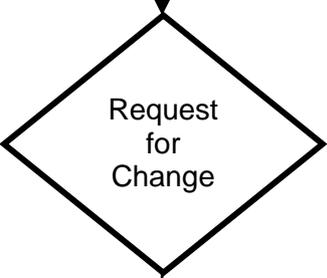
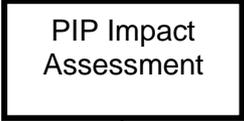
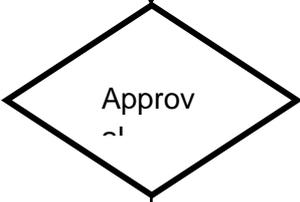
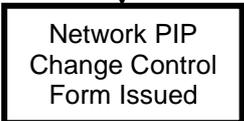
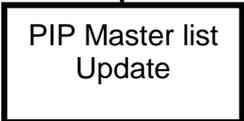
| <b>Business</b>  | <b>CCF Range</b>     |
|------------------|----------------------|
| Ausgrid          | AUS00001 to AUS19999 |
| Endeavour Energy | END20001 to END39999 |
| Essential Energy | ESS40001 to ESS59999 |

The Network PIP Change Control Form should follow the following naming format:

**CCF\_CCFID\_CCFBrief Title.xlsx** where **CCFID** is obtained from the MNG. An example of a **CCFID** is (Ausgrid AUS00001/Endeavour END20001/Essential ESS40001); An example of a spreadsheet filename is:

|           |   |
|-----------|---|
| AUSGRID   | CCF_AUS00002_Campbell St 3 <sup>rd</sup> Tx and data corrections.xlsx |
| ENDEAVOUR | CCF_END20002_Marayong ZS Renewal and assoc Med Progs.xlsx             |
| ESSENTIAL | CCF_ESS40002_Woodlawn New ZS.xlsx                                     |

5.4 Process steps

|   |   |
|---|---|
|  <p>PIP Change Identified</p>                    | <p><b>PIP Change Identified</b><br/>Business identifies a trigger which requires the Network Portfolio Investment Plan (PIP) to be modified via the Network PIP Change Control Process (PIP CCP).</p>   |
|  <p>Request for Change</p>                       | <p><b>Request for Change</b><br/>The business requests the Manager Network Governance (MNG) for a Network PIP Change Control Form (PIP CCF) number. The MNG requires brief details of the change control to fill out the PIP CCF register<sup>1</sup>.<br/>The MNG issues the next PIP CCF number to the business representative who enters it into the form and fills in the other relevant details.</p>   |
|  <p>PIP Impact Assessment</p>                    | <p><b>PIP Impact Assessment</b><br/>The business investigates the impact of the Change Request on the overall PIP for the business and, if required, identifies lower risk projects/programs which will need to be amended to allow the Portfolio to be balanced.<br/>Impacted stakeholders within the network divisions should be consulted (where required).<br/>The PIP CCF is then completed with the results of the investigation and proposed change details.</p>             |
|  <p>Approval</p>                               | <p><b>Approval</b><br/>If the project/program status is prior to Gate 2 the Manager – Portfolio Management Office (M-PMO) is required to endorse the PIP CCF and the Manager – Asset &amp; Network Planning (M-A&amp;NP) is required to approve it.<br/>If the project/program status is post Gate 2 the M-A&amp;NP is required to endorse the PIP CCF and the M-PMO is required to approve it.<br/>Refer to Annexure A for the PIP change control endorsement/approval matrix.</p> |
|  <p>Network PIP Change Control Form Issued</p> | <p><b>Network PIP Change Control Form Issued</b><br/>The PMO will maintain a record of all PIP CCFs which affect the projects and programs in the business.<br/>The PMO will notify all interested parties to the PIP CCF by issuing it to impacted stakeholders, including MNG, M-A&amp;NP of all three businesses and M-PMO of all three network businesses.</p>  |
|  <p>PIP Master list Update</p>                 | <p><b>PIP Master List Update</b><br/>When sufficient PIP CCF changes have been issued the MNG will update the Master PIP with all the changed items received since the last issued version of the PIP. The three most likely PIP version update milestones are November PIP, PIP associated with the SCI and July roll forward PIP.</p>   |

<sup>1</sup> The CRF Register is located in the Ausgrid TRIM Network Strategy Record Management Folder Structure and Smart sheets under NSW Investment Governance\Change Control Papers\PIP Change Control Form Register

**6.0 RECORDKEEPING**

| Type of Record                                | Storage Location     | Retention Period*   |
|---|----------------------|---|
| Change to Project or Program (change request) | Essential Energy BMS | Retain minimum of 3 years after action completed, then destroy as per GA28-19.14.04 |
| Change to Portfolio (PIP change control)      | Essential Energy BMS | Retain minimum of 3 years after action completed, then destroy as per GA28-19.14.04 |

\* 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.

**Executive Leadership Team** have the authority and responsibility for endorsing this procedure prior to Chief Executive Officer approval.

**General Manager – Network Development** has the authority and responsibility for sponsorship of the Network PIP Change Control process.

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

- sponsorship of the Prioritised Portfolio Investment Plan and the Network PIP Change Control process; and
- jointly responsible with the Manager Network & Asset Planning for initiating and progressing the PIP to Gate 1 approval by the Board.

**Manager Network Governance** has the authority and responsibility for:

- collating and producing the combined PIP spreadsheet with input provided by each of the three Network Businesses;
- developing and managing the Network PIP Change Control procedure on behalf of the Group Manager Asset Programs;
- facilitating roll out of PIP CCF process and providing advice to the three businesses as required; and
- producing data for quarterly reporting to the NSC on Change Control activity.

**Manager Network Reporting** has the authority and responsibility for:

- developing a standard format for reporting the variance to the PIP for the businesses;
- facilitating the roll-out of reporting standards to the three businesses;
- monitoring the reporting occurs in accordance with the standard format;
- quarterly reporting to the ISC and Board on the Change Control variance and red zone reporting; and
- including data in quarterly reporting to the NSC on Change Control activity.

**Manager Asset & Network Planning** has the authority and responsibility for:

- initiating a PIP CCF where a PIP change trigger is identified on an individual project or program;
- endorsing and/or approving Network PIP Change Control Forms as set-out in the PIP change control endorsement/approval matrix; and
- completing Network PIP Change Control Forms 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.

**Manager Portfolio Management Office** has the authority and responsibility for:

- initiating a PIP CCF where a PIP change trigger is identified from a change on an individual project or program;
- endorsing and/or approving Network PIP Change Control Forms as set-out in the PIP change control endorsement/approval matrix;
- maintaining a record of all Network PIP Change Control Forms which affect the projects and programs, maintaining a link between the Network PIP Change Controls and their businesses' individual project / program change requests; and
- completing Network PIP Change Control Forms for projects with an estimated cost above \$5m where required by the Investment Governance Framework Company Policy.

## 8.0 DOCUMENT CONTROL

**Content Coordinator** : Manager Portfolio Management Office (PMO)

**Distribution Coordinator** : GRC Policy Coordinator

**Annexure A – Network PIP Change Control Endorsement/Approval Matrix**

| PIP CHANGE CONTROL ENDORSEMENT / APPROVAL MATRIX   |   |   |              |   |              |
|--|---|---|--------------|---|--------------|
| Change Type  | Risk List Status  | Endorsement   |              | Approval  |              |
|  |   | Major Projects<br>Defined Capital Programs<br>Reactive Capital Programs |              | Major Projects<br>Defined Capital Programs<br>Reactive Capital Programs |              |
|  |   | Before Gate 2   | After Gate 2 | Before Gate 2   | After Gate 2 |
| A - DATA CORRECTION<br>B - DATA ERROR<br>C - CASHFLOW CHANGE<br>D - DRIVER CHANGE<br>E - 5 YEAR PLAN \$ CHANGE<br>F - RISK CHANGE  | 1- MOVES INTO RED<br>2 - MOVES OUT OF RED<br>3 - REMAINS IN RED<br>4 - REMAINS IN PLAN<br>5 - MOVES INTO PLAN<br>6 - MOVES OUT OF PLAN<br>7 - REMAINS OUT OF PLAN | M-PMO   | M-A&NP       | M-A&NP  | M-PMO        |
| Note: Gate 2 represents the stage in the process where the M-A&NP hands over control of the proj/prog to the M-PMO.<br>In some cases the nature of the proj/prog may require both the M-A&NP and M-PMO to approve the CCF. |   |   |              |   |              |