

Our reference: 15/707

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29 May 2017

Ms Michelle Groves  
Chief Executive Officer  
Australian Energy Regulator  
GPO Box 520  
Melbourne Vic 3001

Dear Ms *Michelle* Groves

### TransGrid's revenue determination 2018-2023

Thank you for your letter of 12 May 2017 regarding TransGrid's recent revenue proposal and costs relating to the management of off-easement hazard trees. The Tribunal has requested I respond on its behalf.

TransGrid is responsible for taking all reasonable steps to ensure that its network is safe in accordance with the *Electricity Supply (Safety and Network Management) Regulation 2014* (the Safety Regulation). This includes managing bushfire risk in relation to its assets. IPART holds TransGrid accountable to their legislative responsibilities through a risk-based reporting and auditing regime.

The Safety Regulation commenced on 1 September 2014 and IPART assumed the role as regulator for safety and reliability in June 2015. TransGrid's obligation to manage bushfire risk has remained unchanged since the Regulation was introduced.

We provide a compliance report including TransGrid's compliance with the Safety Regulation to the Minister of Energy and Utilities each year. Our annual compliance report for 2015 - 16 is now available on our website<sup>1</sup> and contains information about TransGrid's compliance with the legislation.

In particular, the Compliance Report identifies that the bushfire risk mitigation audit found that TransGrid had failed to comply with the requirement to identify risks and to analyse and evaluate bushfire risks against acceptance criteria.<sup>2</sup> Previously, audits undertaken while the Department of Industry, Resources and Energy was the regulator found TransGrid compliant with the legislation.

TransGrid states in its submission to your review that it has re-assessed its obligation in relation to off-easement trees and identified that active management is now required. This

<sup>1</sup> Available at <https://www.ipart.nsw.gov.au/files/sharedassets/website/shared-files/licensing-compliance-energy-distribution-licences-annual-compliance-report/energy-networks-regulation-annual-report-revised-16-may-2017.pdf>

<sup>2</sup> Table 3.2 on page 14 of the *Annual licence compliance report*

is consistent with TransGrid undertaking a new risk assessment in relation to bushfires in order to address the non-compliances identified through the audit and IPART's direction to amend its safety management system accordingly. Copies of the audit reports and IPART's direction have not been made public. Should the AER require more detailed information about the audit findings and IPART's response, the most appropriate approach would be for the AER to directly request a copy from TransGrid.

As background, IPART's *Electricity Networks Audit Guideline* provides guidance to auditors and specifies the criteria against which auditors should assess compliance. We developed the audit framework and audit criteria relating to safety management systems to test compliance with networks' legislative responsibilities as prescribed in the Safety Regulation.

I trust that this provides you with the information that you need and note that the information contained in this letter is publicly available and support the publication of this response.

IPART's contact officer for this matter is Christine Allen, Director Energy Network Regulation, contactable on 9290 8412.

Yours sincerely



**Hugo Harmstorf**  
CEO