

Investment Evaluation Summary (IES)



Project Details:

Project Name:	Customer Initiated Non-Major Works Residential
Project ID:	00981
Thread:	Customer
CAPEX/OPEX:	CAPEX
Service Classification:	Standard Control
Scope Type:	D
Work Category Code:	CNMAR
Work Category Description:	Customer Initiated Non-Major Works Residential
Preferred Option Description:	Provide customer initiated connection services (standard control) as required
Preferred Option Estimate (Nominal Dollars):	\$0

	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27
Unit (\$)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Volume	0	0	0	0	0	0	0	0	0	0
Estimate (\$)										
Total (\$)	\$3,974,574	\$4,099,006	\$4,513,080	\$4,597,838	\$4,736,761	\$4,745,028	\$4,459,799	\$4,371,198	\$4,371,343	\$4,266,772

Governance:

Project Initiator:	Ewan Sherman	Date:	03/06/2015
Thread Approved:	Stephen Jarvis	Date:	19/10/2015
Project Approver:	Stephen Jarvis	Date:	19/10/2015

Document Details:

Version Number:	1
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Related Documents:

Description	URL
POW Budget Forecast Summary - Customer Initiated Capital Works	http://R0000089612
Customer Initiated Management Plan 2017-19	http://R0000187164
TasNetworks Customer Number Forecast 2015	http://R0000163760

Section 1 (Gated Investment Step 1)

1. Background

This program is an amalgamation of all customer initiated standard control services relating to non major residential services to facilitate a new or modified connection service.

In determining the scope of work for a specific customer connection there are two (2) areas where infrastructure investment may be required:

- **Connection assets**, specific to that customer connection; and
- **Network alterations, expansion and extension works** (shared assets alterations) associated with strengthening the network specifically to facilitate only that customer connection.

CICW infrastructure investments for connection services therefore relate to:

- Building connection assets at the customer's premises;
- Modifying the existing network or building additional network; and
- Connecting connection assets to the network.

The specific technical requirements, commercial arrangements, location and type of customer connection, and capability or constraints of the existing network influence the magnitude of individual CICW projects.

1.1 Investment Need

This allocated investment is required to enable TasNetworks to facilitate connection service requests from customers in accordance with our regulatory and legislative obligations.

1.2 Customer Needs or Impact

TasNetworks continues to undertake a consumer engagement as part of business as usual and through the voice of the customer program. Consumers have identified safety, restoration of faults/emergencies and supply reliability as the highest performing services offered by TasNetworks. Consumers also identified that into the future they believe that affordability, green, communicative, innovative, efficient and reliable services must be provided by TasNetworks. This project specifically addresses the requirements of consumers in the areas of; • affordability, communicative, innovative, efficient and reliable services

1.3 Regulatory Considerations

This project is required to achieve the following capital and operational expenditure objectives as described by the National Electricity Rules section 6.5.7(a) and 6.5.6(a). 6.5.7 (a) Forecast capital expenditure (1) meet or manage the expected demand for standard control services over that period; (2) comply with all applicable regulatory obligations or requirements associated with the provision of standard control services; (3) to the extent that there is no applicable regulatory obligation or requirement in relation to: (i) the quality, reliability or security of supply of standard control services; or (ii) the reliability or security of the distribution system through the supply of standard control services, to the relevant extent: (iii) maintain the quality, reliability and security of supply of standard control services; and (iv) maintain the reliability and security of the distribution system through the supply of standard control services; and (4) maintain the safety of the distribution system through the supply of standard control services. Forecast operating expenditure 6.5.6 (a) (1) meet or manage the expected demand for standard control services over that period; (2) comply with all applicable regulatory obligations or requirements associated with the provision of standard control services; (3) to the extent that there is no applicable regulatory obligation or requirement in relation to: (i) the quality, reliability or security of supply of standard control services; or (ii) the reliability or security of the distribution system through the supply of standard control services, to the relevant extent: (iii) maintain the quality, reliability and security of supply of standard control services; and (iv) maintain the reliability and security of the distribution system through the supply of standard control services; and (4) maintain the safety of the distribution system through the supply of standard control services.

2. Project Objectives

Provide Customer initiated services (excluding alternative control services) as required Chapters 4, 5, 6 and 7 of the NER provide various minimum requirements and framework for access arrangements to the network. In particular, clause 6.1.3 states:

- Access to direct control services and negotiated distribution services
 - (a) Subject to and in accordance with the Rules:
 - (1) a person (a Service Applicant) may apply to a Distribution Network Service Provider for provision of direct control services or negotiated distribution services;
 - (2) a Distribution Network Service Provider must provide direct control services or negotiated distribution services (as the case may be) on terms and conditions of access as determined under Chapters 4, 5, this Chapter 6 and Chapter 7 of the Rules.
 - (b) The terms and conditions of access are:
 - (1) in relation to negotiated distribution services:
 - (i) the price of those services (including, if relevant, access charges); and
 - (ii) other terms and conditions for the provision of those services;

- (2) in relation to direct control services:
 - (i) the price of those services under the approved pricing proposal; and
 - (ii) other terms and conditions for the provision of those services. TasNetworks, in its capacity as a DNSP, is therefore required to provide offers to connect to all connection applicants on fair and reasonable terms and conditions.

3. Strategic Alignment

3.1 Business Objectives

Strategic and operational performance objectives relevant to this project are derived from TasNetworks 2014 Corporate Plan, approved by the board in 2014. This project is relevant to the following areas of the corporate plan: • We understand our customers by making them central to all we do. • We care for our assets, delivering safe and reliable networks services while transforming our business.

3.2 Business Initiatives

The business initiatives that relate to this project are as follows: • Safety of our people and the community, while reliably providing network services, is fundamental to the TasNetworks business and remains our immediate priority • We care for our assets to ensure they deliver safe and reliable network services • We will transform our business with a focus on: - the customer, and a strong commitment to delivering services they value - an appropriate approach to the management and allocation of risk - a well run, efficient business, that delivers sustainable returns to the Tasmanian community and is resilient to future challenges. The strategic key performance indicators that will be impacted through undertaking this project are as follows: • Customer engagement and service – customer net promoter score • Price for customers – lowest sustainable prices • Sustainable cost reduction – efficient operating and capital expenditure

4. Current Risk Evaluation

Not Applicable

4.1 5x5 Risk Matrix

TasNetworks business risks are analysed utilising the 5x5 corporate risk matrix, as outlined in TasNetworks Risk Management Framework.

Relevant strategic business risk factors that apply are follows:

Risk Category	Risk	Likelihood	Consequence	Risk Rating
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Section 1 Approvals (Gated Investment Step 1)

Project Initiator:	Ewan Sherman	Date:	03/06/2015
Line Manager:		Date:	
Manager (Network Projects) or Group/Business Manager (Non-network projects):		Date:	
[Send this signed and endorsed summary to the Capital Works Program Coordinator.]			

Actions

CWP Project Manager commenced initiation:		Assigned CW Project Manager:	
PI notified project initiation commenced:		Actioned by:	

Section 2 (Gated Investment Step 2)

5. Preferred Option:

Provide connection services as required. Residential installations include residential construction activities.

Connection assets associated with this connection class may include:

- Simple connections (LV connection):
 - customer connection service fuses; and / or
 - one (1) span of overhead service wire.
- Medium connections (LV connection):
 - customer connection service fuses; and / or
 - greater than one (1) span of overhead service wire and crossover;
 - small extension, overhead and/or underground, of the LV feeder; and
 - additional street furniture (i.e. turret or cabinet).
- Complex connections (LV connection):
 - customer connection service fuses; and / or
 - greater than one (1) span of overhead service wire and crossover;
 - large extension of the LV feeder;
 - extension of the HV feeder; and
 - installation of a distribution transformer (predominantly pole-type);
 - Upstream shared asset alterations may be required.

5.1 Scope

This program includes standard control connection services such as:

- New or modified connection services

In particular this program includes non-major residential connection services.

This program excludes:

- Pre-Connection Services (from 17/18); and
- Non-demand network alteration services

In 16/17 pre-connection services associated with customer initiated connections services are captured as standard control. From 17/18 all pre-connection services are allocated as alternative control.

The CICW thread is made up of augmentation expenditure (CAPEX) allowed to facilitate provision of new or modified connection services to TasNetworks' customers. Each customer class (Residential, Commercial, Subdivision development, and Irrigation) can be sub-divided into connection types or 'categories' that are typical of each class with the aim of assisting forecasting the CICW investment allowances.

5.2 Expected outcomes and benefits

Connection services are provided and managed effectively in accordance with Tasnetworks regulatory and legislative obligations to meet the requirements as requested by customers

5.3 Regulatory Test

Not Applicable

6. Options Analysis

Not Applicable

6.1 Option Summary

Option description	
Option 1 (preferred)	Provide customer initiated connection services (standard control) as required

6.2 Summary of Drivers

Option

Option 1 (preferred)	This allocated investment is required to enable Tasnetworks to facilitate connection requests from customers in accordance with our regulatory and legislative obligations
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6.3 Summary of Costs

Option	Total Cost (\$)
Option 1 (preferred)	\$0

6.4 Summary of Risk

Not Applicable

6.5 Economic analysis

Option	Description	NPV
Option 1 (preferred)	Provide customer initiated connection services (standard control) as required	\$0

6.5.1 Quantitative Risk Analysis

Not Applicable

6.5.2 Benchmarking

Not Applicable

6.5.3 Expert findings

Not Applicable

6.5.4 Assumptions

Not Applicable

Section 2 Approvals (Gated Investment Step 2)

Project Initiator:	Ewan Sherman	Date:	03/06/2015
Project Manager:		Date:	

Actions

Submitted for CIRT review:		Actioned by:	
CIRT outcome:			