

Investment Evaluation Summary (IES)



Project Details:

Project Name:	Customer Initiated Quoted Services
Project ID:	01027
Thread:	Customer
CAPEX/OPEX:	OPEX
Service Classification:	Alternative Control
Scope Type:	D
Work Category Code:	QUOTS
Work Category Description:	Alternative Control Quoted Services
Preferred Option Description:	Provide Customer Initiated alternative control services (excluding connection services) as required. This includes all pre-connection services and non-demand network alteration services.
Preferred Option Estimate (Nominal Dollars):	\$33,053,720

	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	1	1	1	1	1	1	1	1	1	0
Estimate (\$)										
Total (\$)	\$3,305,372	\$3,305,372	\$3,305,372	\$3,305,372	\$3,305,372	\$3,305,372	\$3,305,372	\$3,305,372	\$3,305,372	\$3,305,372

Governance:

Project Initiator:	Ewan Sherman	Date:	10/06/2015
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	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 related alternative control services relating to new or modified connections, namely pre-connection service, and all non-demand based network alterations.

These works, although managed through the same internal processes, are separate from the standard control services for Customer Initiated Capital Work (CICW) activities that include new or modified connection works such as provision of connection assets, and network extensions, alterations and expansions to facilitate connection services.

Pre-connection services are alternative control services that relate to the design, engineering, plant, and labour costs associated with the preparation of an Offer to Connect; for work activities associated with CICW activities, and non-demand alteration activities.

Non-demand related network alterations are alternative control services that have been requested by a third party or customer. This includes work activities such as asset relocation for road widening, pole relocations, or undergrounding.

Non-demand activity is initiated and undertaken at the request of customers through the 'Connection Enquiry/Application to Connect' process (connection process), which includes assessing and subsequently agreeing to the conditions of the requested works. This connection process focuses on facilitating the customer's requests and timeframe, as well as ensuring appropriate infrastructure is installed with the works i.e. cater for future growth, assets etc.

Where additional infrastructure is installed or additional works undertaken with the non-demand alteration works, this expenditure is excluded from the alternative control services work categories; allocating this expenditure to other network streams as appropriate i.e. asset renewal or network development.

All alternative control services are prioritised with other projects within the Program of Work (POW), whilst recognising the customer's request timing requirements, to ensure efficient resource and materials deployment within the POW.

1.1 Investment Need

This allocated investment is required to enable TasNetworks to facilitate network alteration requests from customers and third parties 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 connection 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.

- o (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:	10/06/2015
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 alternative control services (excluding connection services) as required.

5.1 Scope

This program includes customer initiated alternative control services such as:

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

This program excludes customer initiated standard control services such as:

- New or modified connection 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.

5.2 Expected outcomes and benefits

Pre-connection services, and non-demand alteration services as are provided and managed effectively in accordance with Tasnetworks regulatory and legislative obligations to meet the requirements as requested by customer or third parties.

5.3 Regulatory Test

Not Applicable

6. Options Analysis

Not Applicable

6.1 Option Summary

Option description	
Option 1 (preferred)	Provide Customer Initiated alternative control services (excluding connection services) as required. This includes all pre-connection services and non-demand network alteration services.

6.2 Summary of Drivers

Option	
Option 1 (preferred)	This allocated investment is required to enable Tasnetworks to facilitate network alteration requests from customers and third parties in accordance with our regulatory and legislative obligations

6.3 Summary of Costs

Option	Total Cost (\$)
Option 1 (preferred)	\$33,053,720

6.4 Summary of Risk

Not Applicable

6.5 Economic analysis

Option	Description	NPV
Option 1 (preferred)	Provide Customer Initiated alternative control services (excluding connection services) as required. This includes all pre-connection services and non-demand network alteration services.	\$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:	10/06/2015
Project Manager:		Date:	

Actions

Submitted for CIRT review:		Actioned by:	
CIRT outcome:			