

Investment Evaluation Summary (IES)



Project Details:

Project Name:	Install Metering Equipment (Customer Driven)
Project ID:	01122
Thread:	Metering
CAPEX/OPEX:	CAPEX
Service Classification:	Alternative Control
Scope Type:	B
Work Category Code:	MENIN
Work Category Description:	Install Metering equipment (New Installations)
Preferred Option Description:	Install meters
Preferred Option Estimate (Nominal Dollars):	\$800,000

	17/18
Unit (\$)	N/A
Volume	3,500
Estimate (\$)	
Total (\$)	\$800,000

Governance:

Project Initiator:	Darryl Munro	Date:	07/08/2015
Thread Approved:	Darryl Munro	Date:	16/10/2015
Project Approver:	Darryl Munro	Date:	16/10/2015

Document Details:

Version Number:	1
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Related Documents:

Description	URL
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Section 1 (Gated Investment Step 1)

1. Background

In accordance with clause 7.2.3 of the National Electricity Rules (NER), TasNetworks (TN) acting as a Local Network Service Provider (LNSP), is required to fulfil the responsible person role for type 5, 6 and 7 metering installations within the Tasmanian jurisdiction. This role requires TN to ensure that all connection points to TN's network have a metering installation installed and maintained in accordance with chapter 7 of the NER.

1.1 Investment Need

This capital expenditure is required to enable the installation of type 6 meters to:

- Ensure compliance with chapter 7 of the NER.

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. This engagement seeks in depth feedback on specific issues relating to:

- how it prices impact on its services
- current and future consumer energy use
- outage experiences (frequency and duration) and expectations
- communication expectations
- STPIS expectations (reliability standards and incentive payments)
- Increase understanding of the electricity industry and

TasNetworks 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;

- safety
- affordability, green, communicative, innovative, efficient and reliable services

Customers will continue to be consulted through routine TasNetworks processes, including the Voice of the customer program, the Annual Planning Review and ongoing regular customer liaison meetings.

1.3 Regulatory Considerations

Forecast capital expenditure 6.5.6 (a) (1) meet or manage the expected demand for alternative control services over that period; (2) comply with all applicable regulatory obligations or requirements associated with the provision of alternative 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 alternative control services; or (ii) the reliability or security of the distribution system through the supply of alternative control services, to the relevant extent: (iii) maintain the quality, reliability and security of supply of alternative control services; and (iv) maintain the reliability and security of the distribution system through the supply of alternative control services; and (4) maintain the safety of the distribution system through the supply of

alternative control services. Specifically items 2 and 3

2. Project Objectives

Install meters for new and altered customer installations as requested by Retailers.

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 enable our people to deliver value.
- 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 engaged workplace with strong cultural qualities and people who will be great ambassadors for TasNetworks
 - a high performing culture with clear accountabilities for deliverables
 - 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
- Zero harm – significant and reportable incidents
- Sustainable cost reduction – efficient operating and capital expenditure

4. Current Risk Evaluation

Do nothing is not an acceptable option to TasNetworks' risk appetite. The level of risk identified above is such that a treatment plan is required to reduce the risks to a tolerable level, in line with TasNetworks' Risk Management Framework.

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
Financial	<ul style="list-style-type: none">• Inability to invoice customers and retailers for network energy charges.	Almost Certain	Moderate	High
Regulatory Compliance	<ul style="list-style-type: none">• Failure to install metering equipment as required by NER.	Almost Certain	Moderate	High
Reputation	<ul style="list-style-type: none">• Negative publicity resulting from not connecting customers and not invoicing for energy consumed.	Almost Certain	Moderate	High

Section 1 Approvals (Gated Investment Step 1)

Project Initiator:	Darryl Munro	Date:	07/08/2015
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:

The installation of meters as requested by retailers to enable the connection and alteration to customer installations.

5.1 Scope

1 Work to be undertaken: The work to be undertaken shall be the installation, replacement and upgrading of metering for customer power supply connections with work sourced by the creation of Service Requests in the Service Order Management System.

2 Particular methodology to undertake the work:

- a) All work shall be undertaken as per TasNetworks Metering Procedures.
- b) Construction work to be completed by agreed customer connection date.

3 Technical conditions:

- a) All work to be carried out in accordance with the TasNetworks Metering Procedures & Service and Installation Rules.
- b) Works and Service Delivery shall ensure that their employees attend CT refresher training once every 12 months.
- c) Work to be carried out in accordance with approved TasNetworks work practices.
- d) All new and removed metering equipment is to be handled with care and transported using approved anti-vibration carrying methods.
- e) All redundant associated metering equipment is to be returned to their local kan ban or metering warehouse on a weekly basis.

4 Other conditions:

- a) Works and Service Delivery shall procure all materials as required.
- b) Works and Service Delivery is responsible for leaving the work site clean and tidy.
- c) Works and Service Delivery shall ensure that their employees & sub- contractors comply with the Workplace Health and Safety Regulations - Division 9, Asbestos and the National Occupational Health & Safety Commission - Code of Practice and Guidance Notes (NOHSC 3002 & 3003) when handling meter panels.

5 Point of contact:

- a) Where guidance is required or uncertainty exists as to the type or quantity of work that can be undertaken within this category, escalation process & variation approval direction can be obtained from the responsible officer for this scope for Network who is the Asset Engineer - Metering.
- b) The technical point of contact in Network shall be Asset Engineer - Metering.

5.2 Expected outcomes and benefits

This capital expenditure is required to enable the installation of type 6 meters to:

- Ensure compliance with chapter 7 of the NER.
- Enable customer billing based on actual consumption data.

5.3 Regulatory Test

6. Options Analysis

Option 0: Do nothing

Advantages

- Less expenditure than option 1

Disadvantages

- Does not comply with requirements of the NER
- Customer billing is not based on actual consumption data.

Option 1: Install meters

Advantages

- Complies with requirements of the NER
- Customer billing is based on actual consumption data.

Disadvantages

- More expensive than option 0

6.1 Option Summary

Option description	
Option 0	Do nothing
Option 1 (preferred)	Install meters

6.2 Summary of Drivers

Option	
Option 0	<ul style="list-style-type: none">• Ensure compliance with chapter 7 of the NER - No.• Enable customer billing based on actual consumption data - No.
Option 1 (preferred)	<ul style="list-style-type: none">• Ensure compliance with chapter 7 of the NER - Yes.• Enable customer billing based on actual consumption data - Yes.

6.3 Summary of Costs

Option	Total Cost (\$)
Option 0	\$0
Option 1 (preferred)	\$800,000

6.4 Summary of Risk

This section outlines an overall residual asset risk level, for each of the options.

Option	Risk Assessment
Option 0	High
Option 1	Low

6.5 Economic analysis

Option	Description	NPV
Option 0	Do nothing	\$0
Option 1 (preferred)	Install meters	\$0

6.5.1 Quantitative Risk Analysis

A quantitative risk analysis has not been completed for this item.

6.5.2 Benchmarking

Benchmarking has not been completed for this item.

6.5.3 Expert findings

No expert findings have been used for this item.

6.5.4 Assumptions

It is expected that all new meters will be unregulated following implementation of metering contestability on 1 December 2017.

Section 2 Approvals (Gated Investment Step 2)

Project Initiator:	Darryl Munro	Date:	07/08/2015
Project Manager:		Date:	

Actions			
Submitted for CIRT review:		Actioned by:	
CIRT outcome:			