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POWERLINK QUEENSLAND REVENUE PROPOSAL

Supporting Document - PUBLIC

Powerlink Queensland Project Approval for Network Capital Projects Procedure

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Powerlink – Project Approval Process for Network Capital Projects - Procedure

Policy stream	Asset Management	
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Table of contents

Version history.....2

1. Introduction4

 1.1 *Purpose*4

 1.2 *Scope*.....4

 1.3 *References*.....4

 1.4 *Defined terms*4

 1.5 *Roles and responsibilities*5

2. Project Stages6

 2.1 *Need identification*.....6

 2.2 *Options development/analysis*6

 2.2.1 *Develop Options*6

 2.2.2 *Scope and estimate options*7

 2.2.3 *Analyse and recommend estimate investment option/s*7

 2.3 *Confirm option and define project*.....7

 2.4 *Approve Project*.....7

3. External Consultation9

 3.1 *Public*9

 3.1.1 *Transmission Network Forum*9

 3.1.2 *Area Plan Forums*9

 3.2 *RIT-T*.....9

4. Governance of process10

 4.1 *Area Plan Strategy Forum*10

 4.2 *Project Approval Milestone Forum*10

5. Distribution list.....11

Appendix A Project Approval Process RAIDE-C application12

Appendix B Overview of RIT-T process13

Appendix C Project Approval Process14

1. Introduction

1.1 Purpose

The purpose of this procedure is to outline the process for approval of a network capital project. It identifies the key steps and decision points in the process together with delineation of tasks and handover points within and across Groups and Divisions.

This document supports efficient decision making through the project approval process via application of the [RAIDE-C](#) (see Appendix A).

1.2 Scope

The scope of this procedure is concerned with network capital projects from the initial stage of identified need to business case approval.

From a governance perspective, projects must be approved in accordance with Powerlink’s Delegations Manual in accordance with the level of risk and financial exposure embodied in the project.

1.3 References

Document code	Document title
	Asset Management Plan
Template	Investment Options Paper Template
Template	Business Case Template - CP
Project Approval Notification	Project Approval Notification
RAIDE-C	RAIDE-C
AER RIT-T	RIT-T

1.4 Defined terms

Terms	Definition
AER	Australian Energy Regulator - The AER is responsible for the economic regulation of the revenues received by transmission network service providers (TNSPs) under chapter 6A of the National Electricity Rules
RIT-T	AER’s Regulatory Investment Test for Transmission is required for specified categories of investment exceeding nominated cost thresholds under the National Electricity Rules. The process is applied to identify a credible option which maximises the present value of the net economic benefits and, where application, meets the relevant jurisdictional or NER based reliability standards.
RAIDE-C	Accountability and Decision making framework: Recommend, Agree, Input, Decide, Execute and Communicate respectively
I&P	Investment & Planning Division
ID&TS	Infrastructure Delivery and Technical Services
P&BM	Portfolio & Business Management



1.5 Roles and responsibilities

Who	What
Group Manager – Portfolio & Business Management	Approver of this document
Manager – Business Management & Improvement	Responsible author. Ensures the review and monitoring of this process
Portfolio Manager Team 1	Responsible for providing input to process
Portfolio Manager Team 2	Responsible for providing input to process
Network Integration Manager	Responsible for providing input to process

2. Project Stages

The following sections outline the key stages of the network capital project approval process.

A detailed process map, showing responsibilities within I&P and other divisions, such as ID&TS is provided in the following document - [Project Approval Process - Regulated Network Capital Projects](#).

2.1 Need identification

The goal of the first stage is to identify and confirm the need for the project is valid. This stage in the process is led by S&P and includes the following key steps:

- Identify Need – The identification of investment needs is a continuous process managed by S&P taking in account a range of inputs including forecast electricity demand growth, asset health, condition and risk assessment and future customer connections. These factors are considered as part of the ongoing asset management planning process set out in the Asset Management Plan.
- Discovery and Analysis – detailed analysis of the investment need is conducted by S&P based on a range of network planning and asset management inputs, including asset life plans, condition assessment reports, asset and network risk assessments, network planning reports, joint planning and directly connected customer requirements.
- RIT-T – S&P determine if a RIT-T is required based on cost thresholds approved by the AER. Appendix B provides an overview of the RIT-T process.

At the end of this stage, the investment needs has been defined , and the criteria for potential investment options established.

2.2 Options development/analysis

The next stage in the approval process involves developing and analysing the options capable of meeting the identified need. It is led by S&P and includes the following key steps.

2.2.1 Develop Options

- S&P conduct workshops that bring together inputs to inform the analysis of investment options from across I&P. Depending on the nature of the project, this generally includes the following areas of the business:
 - Network planning – ensure reliability of supply obligation can be satisfied in meeting forecast demand taking into account other expected network development, joint planning and directly connected customer needs;
 - Asset strategies – ensure network development is consistent with asset management strategies, asset health, and condition and risk assessment;
 - Network customers – ensure that network development is consistent with customer requirements and the conditions of existing connection and access agreements;
 - Network regulation – provide input on regulatory requirements that may influence options development/ analysis; and
 - ID&TS – develop concept estimates and provide technical support in the consideration of feasible investment options.
- In developing investment options, easement investigations may be initiated to provide high level advice on the feasibility and cost of easement acquisition or on general issues with obtaining access to and working on existing easements.
- During this stage, S&P will separately assess the feasibility of non-network solutions for the investment need, in support of, or as an alternative to, a network solution.



2.2.2 Scope and estimate options

Once a range of feasible investment options are established P&BM prepare a Project Scope Report (PSR) that addresses the scope of the project (reflecting a number of potential options), timing and commissioning date, interdependencies, key matters to be considered, asset management requirements, asset ownership, system operation issues, division of responsibilities. A peer review is conducted of the PSR to ensure all aspects of the scope are adequately defined.

ID&TS prepares Concept Estimates for each option identified in the PSR that provide cost and qualitative delivery information to assist in determining the recommended option.

2.2.3 Analyse and recommend estimate investment option/s

S&P capture the detailed analysis of the investment need and feasible investment options within an Investment Options Paper (IOP). This document incorporates risk assessment and NPV analysis of options and recommends an option/s that is considered to meet the criteria for the investment need at the lowest long run cost. The option recommended at this stage may include no action (i.e. continuing to manage the identified risk or issue) or a non-network solution. In that regard, there is not an automatic presumption that this step in the process will culminate in the recommendation of a network project.

Once finalised the IOP is submitted for approval to the Group Manager – S&P.

At the end of this stage, I&P should have a developed short list of options or a recommended project capable of satisfying the identified need against preliminary cost, time and resource parameters.

2.3 Confirm option and define project

In circumstances where the recommended investment option requires the implementation of a network capital project, the next stage of the process is concerned with defining the project in further detail while having regard to the scope, timing and priority of the project within the overall portfolio of works. This stage is led by P&BM and includes the following key steps:

- Finalise Project Scope Report – P&BM create or modify the PSR, to reflect the selected option. A peer review is conducted of the PSR to ensure all aspects of the scope are adequately defined.
- Request Project Proposal – a Project Proposal is requested by P&BM based on the modified PSR for the selected option.
- Project Proposal Report – ID&TS prepare a Project Proposal Report to provide detailed cost and qualitative delivery information for the selected option. It also conducts a deliverability analysis against the general constraints of the option, including outlining resource requirements.
- Finalise Project Proposal – P&BM and S&P jointly review the Project Proposal Report to assess if the proposal meets the requirements of the investment need and is in accordance within the IOP.
- Review Budget – Review impact of project upon Powerlink Capex/Opex budgets.

At the end of this stage, the selected option is defined through a detailed Project Proposal and is recommended for approval by the Group Manager – P&BM.

2.4 Approve Project

Powerlink has in place a delegations framework for approving network capital projects. The level of approval required depends on the risk and the amount of expenditure and is defined in its Compliance Manual.

The Business Case is the key approval document for all significant Network Capital projects, providing an overall justification for the project, supported by the IOP and Project Proposal. Typically, the Business Case will cover off the following information:

- Identified need for the project;
- Options analysis, comparison and proposed solution to the need;
- Strategic fit;



- Project scope and completion;
- Dependencies with other projects;
- Cost and funding;
- Return on investment, including stranding risk; and
- Consultation.

For large projects that trigger the RIT-T, conditional approval is generally sought from the Powerlink Board prior to issuing the Final Report under the RIT-T consultation process. This approval may be subject to:

- Satisfactory completion of the Regulatory Test process;
- Finalisation of route selection and acquisition;
- Shareholding Minister approval, if required; and
- Acceptance of increased charges by the connecting party.

The final outcome of this stage is the issue of a Project Approval Notification to notify relevant business areas that the project is approved and project delivery work can commence.



3. External Consultation

Stakeholder consultation occurs prior to and during the development of a network capital project.

3.1 Public

3.1.1 Transmission Network Forum

Powerlink holds an annual Transmission Network Planning Forum to discuss the future of Queensland’s transmission network. It is based on Powerlink’s Transmission Annual Planning Report (TAPR), and covers electricity demand and energy forecasts, network capability, transmission development and reinvestment projects, and network development outlook. Network projects figure prominently in the forum, which provides customers and the public with input into the planning process.

3.1.2 Area Plan Forums

Powerlink conducts Area Plan Forums to allow stakeholder involvement in network planning and investment decisions. In its Asset Management Plan, Powerlink has developed Area Plans that consider options for the long term development of defined areas of its network, considering demand growth, potential customer connections and asset condition and emerging risks. Stakeholder input is sought on aspects of investment strategy, network reliability, market operations, strategic value of land and easements, landowner impacts, reputation and public safety. A key aspect of these discussions involves the inherent trade-off between cost and reliability.

3.2 RIT-T

The AER’s RIT-T took effect from 1 August 2010. Its purpose is to identify the credible option which maximises the present value of net economic benefits and, where applicable, meets the relevant jurisdictional or NER based reliability standards. The RIT-T provides a single framework for all transmission investments, applies to network augmentations and network reconfigurations of greater than \$6 million and is Powerlink’s primary economic assessment test for investment. Under the RIT-T, a three stage public consultation process is required to be undertaken within timeframes stipulated in the test. These consultation stages include:

- Project Specification Consultation Report – which, among other things, sets out the identified need, assumptions and technical characteristics of the identified need and description of all credible options;
- Project Assessment Draft Report – which includes information about credible options, submissions received, costs, classes of and methods for the use of material market benefits, NPV analysis results, etc; and
- Project Assessment Conclusions Report – including information required in the Project Assessment Draft Report above and information relating to submissions made on the Draft Report.

Additional connection services between Powerlink and DNSPs are identified and developed through the joint planning process. Consultation is undertaken between Powerlink and the relevant DNSP to ensure the overall lowest cost feasible solution is implemented irrespective of ownership of the assets which provide the network service. Transmission investments greater than \$5 million that are required to meet a distribution network need may be consulted on through a joint Regulatory Test with the DNSP. The DNSP is required to confirm acceptance of connection charges associated with connection assets.



4. Governance of process

4.1 Area Plan Strategy Forum

The Area Plan Strategy Forum ensures appropriate strategic guidance and direction is provided in the development of Area Plans and identification of related investment needs.

The forum is chaired by the Group Manager – S&P and the standing membership includes relevant managers representing the network planning, asset strategies and portfolio management functions within the Investment & Planning division.

The objective of this forum is to enable the regular review of Area Plans to ensure the appropriate identification of investment needs and that the long term strategic network development options considered within each Area Plan take account of all the relevant factors. The forums primary objectives are to:

Ensure all relevant strategic matters are known and shared as early as possible in the development of Area Plans

Provide strategic direction to the investigation phase of Area Plans and specific investment needs; and

Ensure an appropriate range of long term network development options and themes are considered within each Area Plan.

4.2 Project Approval Milestone Forum

The Project Approval Milestone Forum monitors the status of the portfolio of approved and unapproved work and provides general information to staff within the I&P division on the status of project approvals.

This forum is chaired by the Group Manager – P&BM and the standing membership includes relevant managers and staff representing the network planning, asset strategies and portfolio management functions within the Investment and Planning division.



5. Distribution list

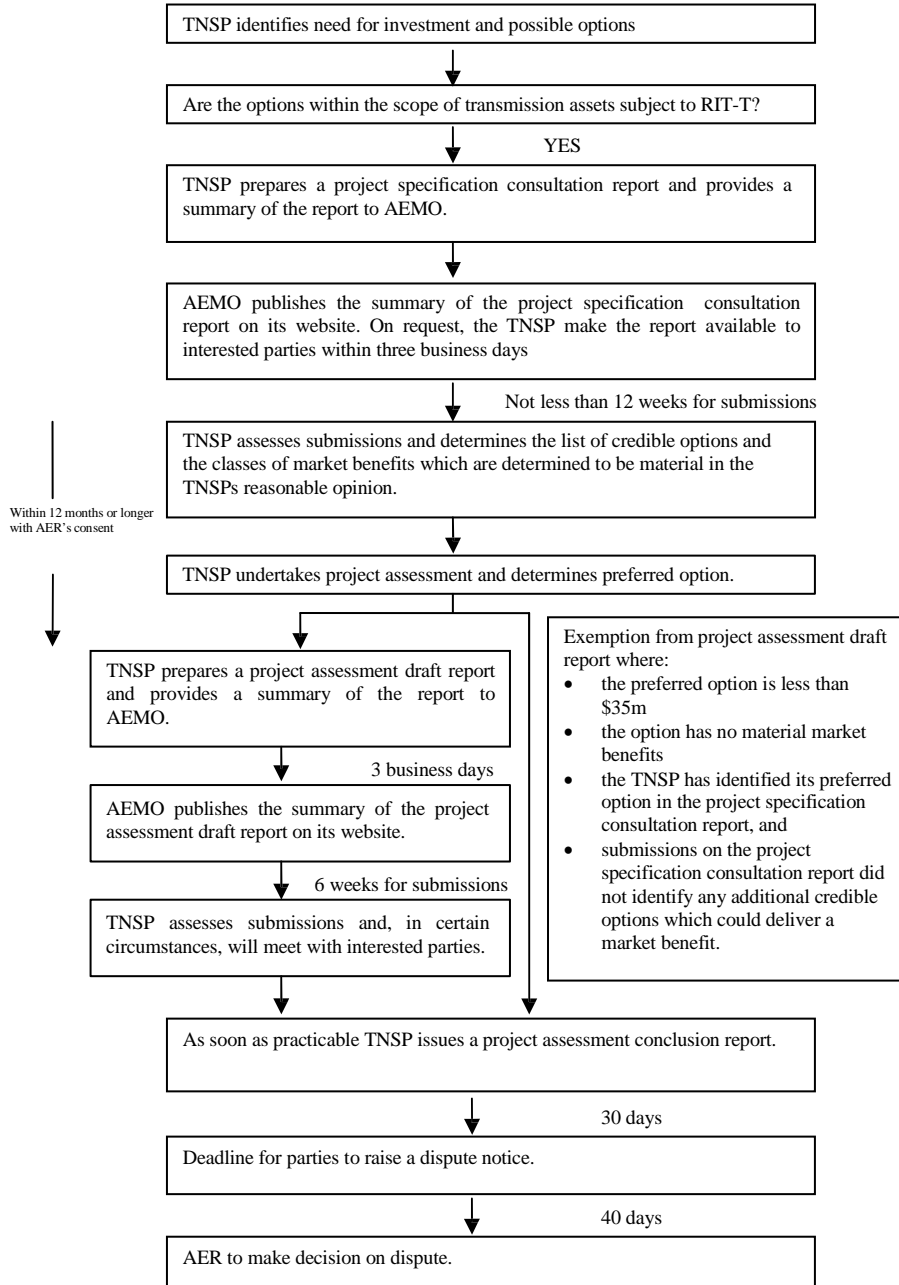
Internal	Contact details
<input checked="" type="checkbox"/> Investment and Planning	All Group Managers
<input checked="" type="checkbox"/> Infrastructure Delivery & Technical Services	All Group Managers



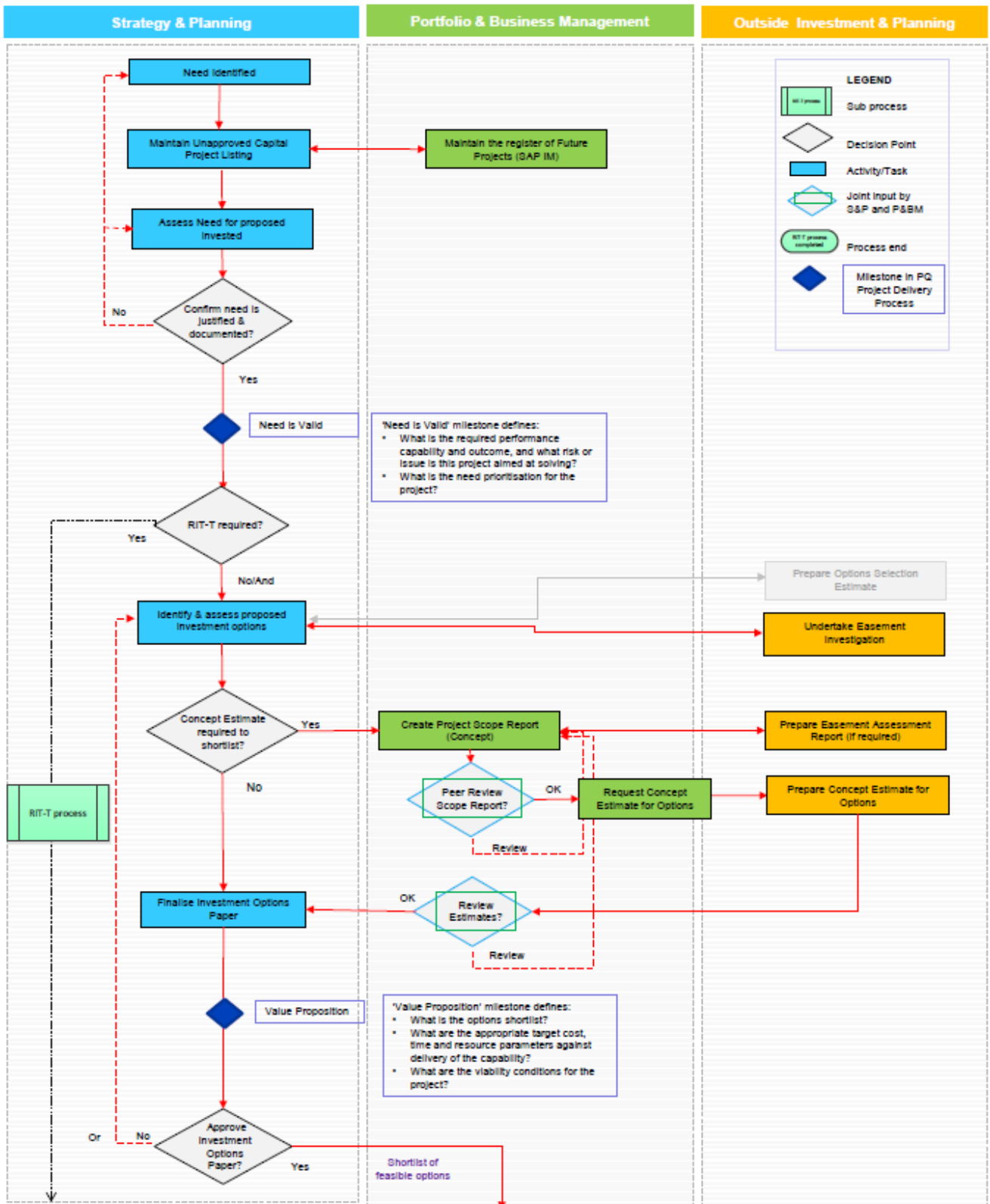
Appendix A Project Approval Process RAIDE-C application

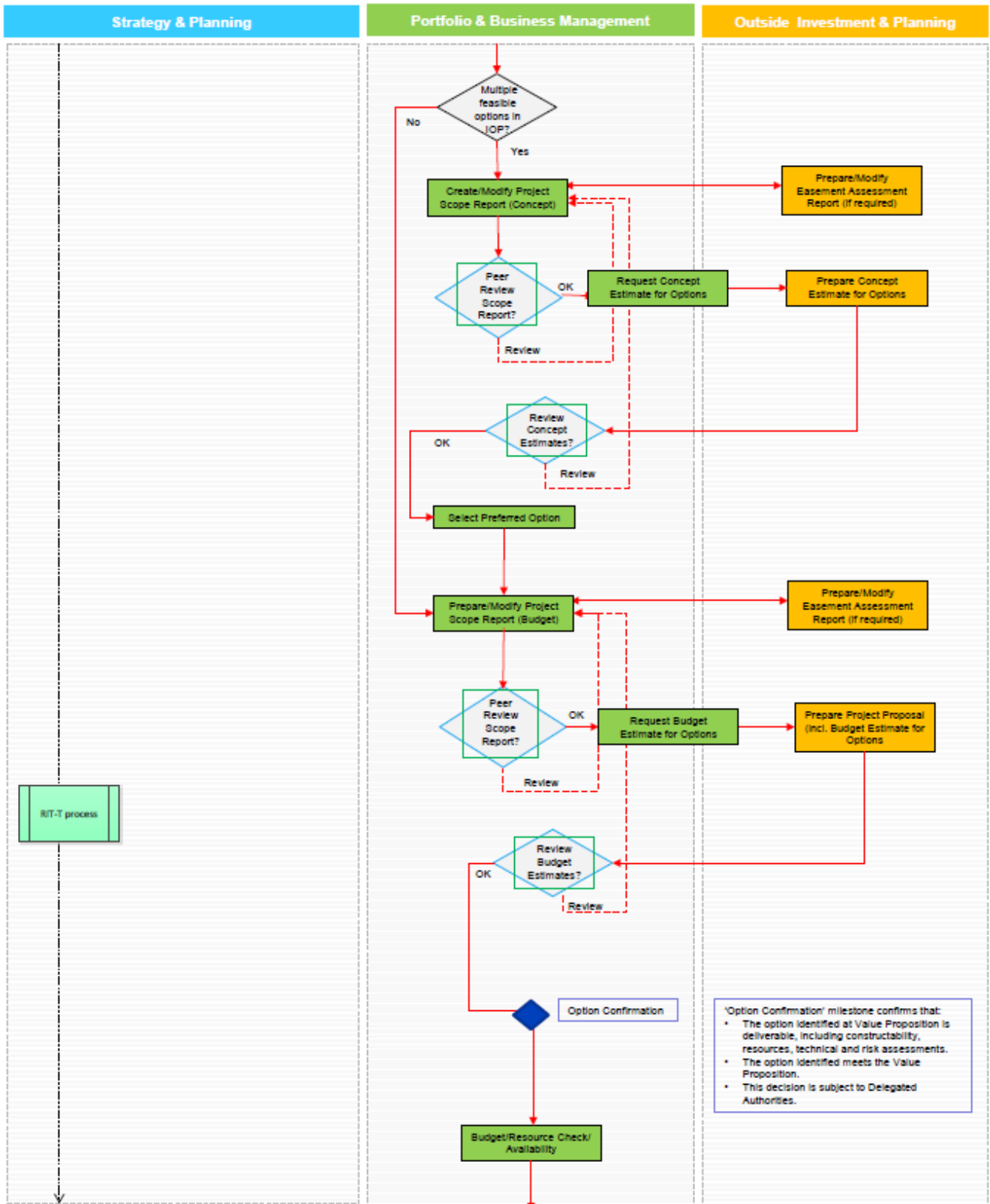
Project Approval Process RAIDE-C	S&P	P&BM	ID&TS	EM/I&P	CE
Need identification (need is valid and prioritised)	D				
Identify and assess proposed investment options	D	I/C			
Options shortlisted for estimate	D	I/C			
Estimate delivered	I/C	I/C	D		
Option Refinement		D			
Option Confirmed (IOP)	D	I/R			
Technical Solution defined (Business Case)	I/C	E/R	I/C		
Project Approved		E	E	D or R	A or D

Appendix B Overview of RIT-T process



Appendix C Project Approval Process







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