

2023-27

POWERLINK QUEENSLAND REVENUE PROPOSAL

Supporting Document – PUBLIC

Regulated Network Capital Investment Approval Guideline

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Regulated Network Capital Investment Approval – Guideline

Policy stream	Governance	
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Version history

Version	Date	Section(s)	Summary of amendment
1.0	2/12/2020	All	New document



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1. Introduction

1.1 Purpose

The purpose of this guideline is to outline the overarching method for determining the steps associated with network investment for prescribed capital assets.

The network investment decision relies on a collection of guidelines and plans to determine the need and options to be considered to address the identified condition, compliance or augmentation drivers for the transmission network. It identifies the keys considerations and decision points in the process and the delineation of tasks across different teams within the organisation.

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

1.2 Scope

The scope of this document is to provide a summary of the interfaces between the different processes and guidelines associated with the steps taken in the Network Investment Decision. It will provide an end to end guideline of the requirements

1.3 References

Document code	Document title
ASM-GDL-A3356058	Area Plan Development Guideline
A3356041	Develop Asset Management Plan
ASM-GDL-A3356084	Optioning for RIT-T Projects Guideline
ASM-GDL-A3356055	Define Needs Process Guideline
ASM-TEM-A1565121	Project Initiation Form Template
ASM-GDL-3356070	Project Scope Report Guideline
ASM-TEM-A3356069	Project Scope Report Template
A3356052	Manage Regulated Network Capital Project Development
A3271	Compliance Manual

1.4 Defined terms

Terms	Definition
PIF	Project Initiation Form
PSR	Project Scope Report
RIT-T	Regulatory Investment Test for Transmission
AMP	Asset Management Plan
CA	Condition Assessment
TAPR	Transmission Annual Planning Report
ISP	Integrated System Plan

1.5 Roles and responsibilities

Who	What
Asset Strategies	Identify condition drivers for asset investment Issue PIF Provide input into scoping and options identification Review PSR.
Planning	Identify augmentation drivers for asset investment Issue PIF Provide input into scoping and options identification Review PSR.
Network Operations	Provide input into scoping and options identification Review PSR.
Infrastructure Delivery	Produce concept and proposal level estimates to deliver scope outlined in PSR
Portfolio Planning & Optimisation	Develop AMP Risk modelling Input into option analysis for RIT-T projects Review PSR.
Network & Alternate Solutions	Create project appropriation request Determine and comply with RIT-T requirements Develop and document scope Prepare approval documentation.

1.6 Monitoring and compliance

An annual review of the guideline will be undertaken.

Compliance will be measured through ongoing review of approval documentation for capital investments via Manager Network & Alternate Solutions endorsement.

Essential governance documentation will be produced for all capital investment decisions, including a Project Initiation Form (PIF), Project Scope Report (PSR), estimates and approval documentation. This documentation will be stored in standard capital project folders within Objective.

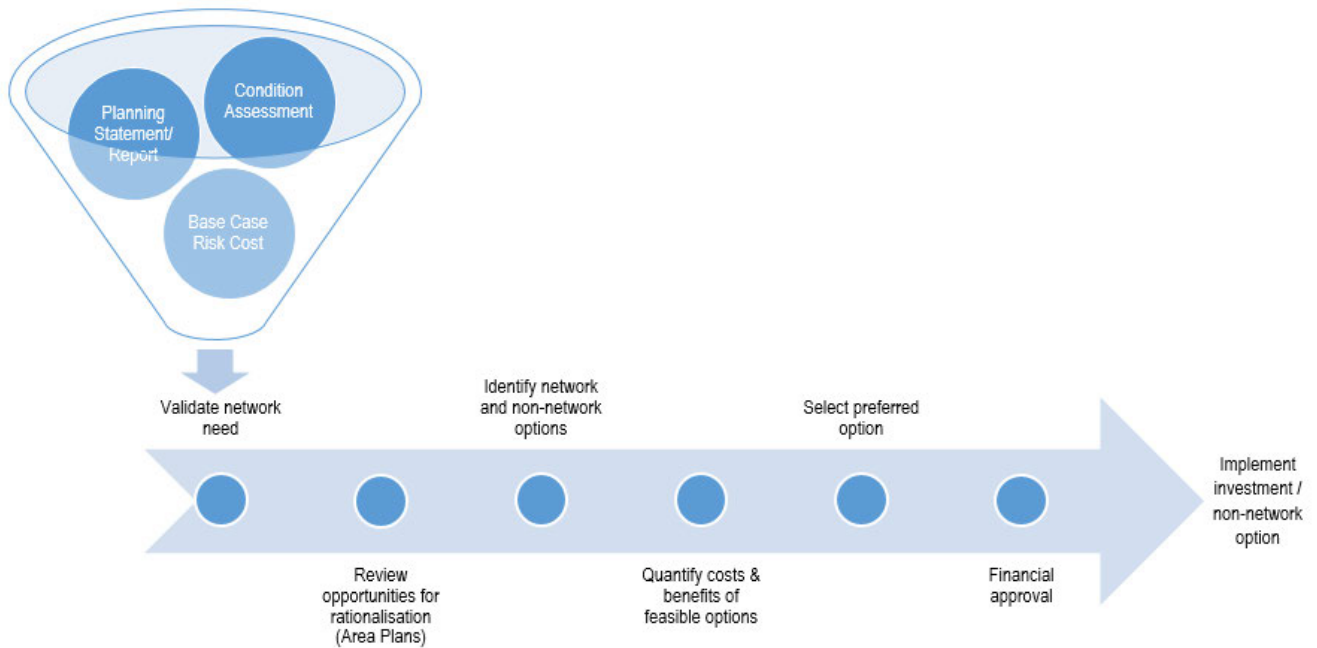
1.7 Risk management

This guideline is produced to mitigate the risks associated with delays to capital project approval by outlining the requirements for capital investment.

2. Guideline

2.1 Overview

The end to end process for regulated capital investments as outlined in attachment 1, steps through project need, options analysis, scoping estimating and the necessary financial approvals resulting in the capital investment decision.



2.2 Validate Network Need

The Project Need is the first stage in the end to end process, and is used to identify and confirm that the need for the project is valid. The identification of the investment need for regulated capital projects considers forecast electricity demand growth, asset condition and risk assessments, this process is outlined in ASM-GDL-A3356055 Define Needs Process – Guidelines.

The main consideration for the drivers for regulated capital investment are

- Asset Condition
 - Review Asset Health Indices
 - Carry out condition assessments
- Network Augmentation
 - Joint Planning
 - AEMO planning - ISP
 - Forecast load Growth & generation

Upon identification of the investment need, the initiating team update PRS/C55 and issue a PIF to Network and Alternate Solutions.

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2.3 Option Development

Upon identification of the need for investment, the options development and analysis outlines network and non-network scenarios capable of meeting the identified need.

Inputs from Network Planning, Asset Strategies, PPO, Network Regulation and Operations are utilised to ensure the network development options are consistent with asset management strategies, joint planning with distribution authorities and AEMO and to meet Powerlink’s obligation to provide reliability of supply.

For capital investments with a credible option with a cost over \$6 million, a RIT-T consultation process must be followed. To comply with the legislative requirements of this process, an appropriate number of credible options to address the identified need must be investigated and an analysis carried out. This analysis must consider:

- Economic cost benefit analysis
- Credible options compared against risk cost of doing nothing
- Promotion of efficient investments
- Greater consistency and transparency through stakeholder engagement and
- Technology neutral

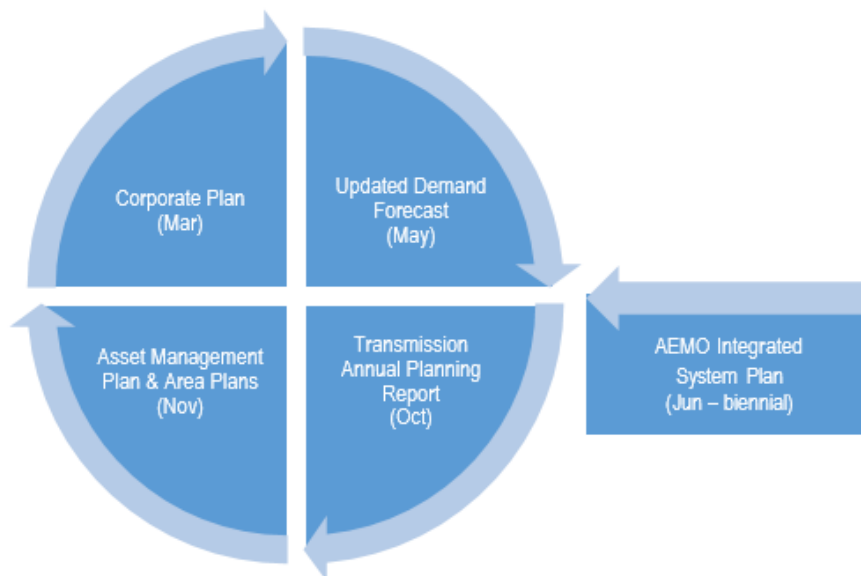
The development of the credible options is carried out by NAS and, depending on the complexity of the identified need, could involve an options workshop including PPO, Planning, and Asset Strategies.

This process is identified in ASM-GDL-A3356084 Optioning for RIT-T Projects – Guideline.

2.4 Future Planning

The Asset Management Plan / Area planning are utilised to ensure short term transmission network investment decisions are made in accordance with longer term corporate expectations and inputs identified from AEMO as part of the regular Integrated System Plan, These plans document the optimised network development strategies and are used to support the Transmission Annual Planning Report (TAPR) and Statement of Corporate Intent.

The plans are outlined in ASM-GDL-A3356058 Area Plan Development – Guideline and “Develop Asset Management Plan”



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2.5 Scoping and Estimating

The purpose of a Project Scope Report is to define the business (functional) requirements that the project is intended to deliver. These functional requirements are subject to Powerlink’s design and construction standards and prevailing asset strategies, which will be detailed in documentation produced during the detailed scoping and estimating. The PSR includes key information including, required timing, asset ownership / boundaries, system operation issues/ constraints and asset management requirements.

The initial PSR outlines the credible options to be considered to meet the identified need, which is used to inform the delivery groups, who carry out concept level estimates for each option providing cost and qualitative delivery information to assist in determining the recommended option. A risk assessment and NPV analysis is carried out on the concept level estimates to determine the least cost solution to address the need

Once the preferred option is recommended, the PSR is updated to reflect the single option and a request for a project proposal is issued. The project proposal provides detailed cost and delivery information, including resource availability and outage constraints.

2.6 Financial Approvals

Powerlink has a delegation framework as outlined in the “Compliance Manual”, for determining the position of authority to approve projects based on project type and value.

Network and Alternate solutions develop the approval documentation supported by the Project Scope Report and Project Proposal to provide the overall justification for the investment decision.

Upon the completion of the necessary endorsements and final approval by the nominated financial delegate, a Project Approval Notification is issued by NAS to Infrastructure Delivery to communicate the status of the project approval and the value of the released budget.

Regulatory Investment Test for Transmission

The following outlines the interpretation of key elements of the Regulatory Investment Test for Transmission (RIT-T) as documented in the National Electricity Rules (“the Rules”).

The Rules state that the purpose of the RIT-T is to:

“identify the credible option that maximises the present value of net economic benefit to all those who produce, consume and transport electricity in the market (the preferred option)”.

In line with the Rules, Powerlink applies the following common exemptions in applying the RIT-T to regulated network capital projects:

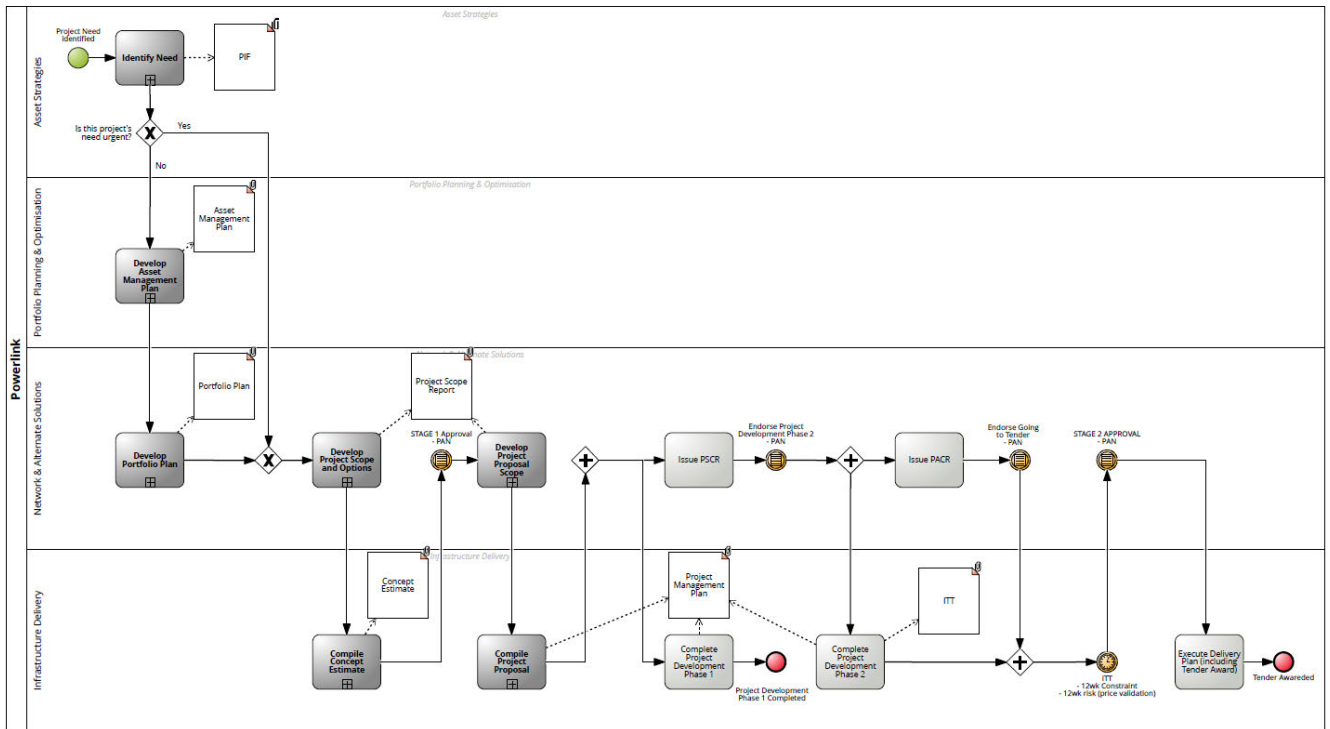
1. The proposed project cost (and credible options where applicable) is less than the RIT-T threshold (currently \$6 million). The proposed project cost relates to the un-escalated costs at the time of the estimate and excludes risk and contingency.
2. The proposed investment relates to ICT expenditure, i.e. IT business systems (IT), IT operational technology (OT) or telecoms assets.
3. The proposed investment relates to connection assets that provide services to customers other than a Network Service Provider.

Further, where a project includes investment in multiple assets, and some are excluded from the need to undergo a RIT-T, then the cost of these works should be excluded from consideration of the project cost when comparing to the RIT-T threshold (currently \$6 million). A RIT-T is only undertaken where the remaining value of the investment is above this RIT-T threshold.

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Two Stage approval

The two stage approval process is to be applied to all network regulated projects which are expected to have a final project cost in excess of six million dollars (\$6 million). The two stage approval process allows for preliminary funding to be released following initial estimation, with full project approval only granted following further scope clarification and confirmation of contractor pricing with an aim to reduce project re-approvals.



2.7 Public Consultation

2.7.1 Transmission Network Forum

Powerlink holds an annual Transmission Network 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.

2.7.2 Area Plan Forums

Powerlink conducts Area Plan Forums as required 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.

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3. Distribution list

Divisional Distribution	Contact details
Delivery and Technical Solutions	EGM Delivery and Technical Solutions
Finance and Governance	N/A
Operations and Service Delivery	N/A
People and Corporate Services	N/A
Strategy & Business Development	EGM Strategy & Business Development
Group/Team Distribution	Contact details
Asset Strategies & Planning	GM Asset Strategies & Planning
Network Portfolio	GM Network Portfolio
Network Regulation	GM Network Regulation
Infrastructure Delivery	GM Infrastructure Delivery
Portfolio Planning and Optimisation	Manager PPO

Attachment 1

End to End Process

