



# TasNetworks Policy

## Procurement Policy

Version Number 1

June 2014

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### Overview of this Policy

The purpose of this policy is to establish TasNetworks' policy position in relation to procurement of goods and services and stipulate minimum requirements for ensuring that procurement is conducted in an open, cost effective and efficient manner.

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## 1. Introduction and Purpose

The purpose of this policy is to establish TasNetworks' policy position in relation to procurement of goods and services, and provide minimum requirements for ensuring that procurement is conducted in an open, cost effective and efficient manner, consistent with TasNetworks' Values and Behaviours.

## 2. Scope

This policy applies to any person who is undertaking procurement of goods and services on behalf of TasNetworks.

## 3. Policy Revision

This Policy will be reviewed and endorsed on at least an annual basis or when there is a significant change to the business that impacts this Policy.

## 4. Policy Detail

### 4.1. Overview

TasNetworks undertakes a variety of activities in the development and maintenance of its infrastructure and operational systems and must procure goods and services which are of varying cost, complexity and risk.

TasNetworks conducts business with a wide range of suppliers and undertakes a range of procurement methods to manage its procurements. This policy should be read in conjunction with its associated Procurement Guideline and procedures, referenced at section 8 of this policy.

#### 4.1.1. Procurement considerations

It is important that TasNetworks obtains the best possible value when procuring goods or services. This must be balanced with operational efficiency and consideration of existing arrangements, agreements, specific knowledge, relevant history and experience.

When selecting the appropriate supplier and procurement method, a range of characteristics should be considered including (but not limited to): the nature of the goods or services; complexity; volume and/or frequency of purchasing; the term (period) of the purchase; existence of current arrangements which may be satisfactory; market-testing; value; safety implications of working near TasNetworks' assets; risks and probity.

It is important to consider all relevant characteristics, and identify and follow the appropriate procurement procedure when goods or services have been identified for purchase. By following the correct procedure, potential risk to TasNetworks is minimised and best practice procurement activities are achieved.

#### 4.1.2. Procurement conduct and ethics

TasNetworks is committed to operating its business honestly, efficiently, fairly and in accordance with ethical standards and legal requirements. The TasNetworks Code of Conduct, Whistle-Blower provisions, and target Values and Behaviours reflect the importance the company places on responsible behaviour.

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There are a number of controls in place supported by processes and procedures which promote and specify this responsible behaviour. These are further considered in the Procurement Guideline.

Team members are encouraged to report any suspected fraudulent or corrupt activity in accordance with TasNetworks Fraud and Corruption Control Policy and the Public Interest Disclosure Procedures (Whistle-blowers Procedures).

When undertaking tendering, the Australian Standard Code of Tendering (AS4120) must be adhered to.

## 4.2. General Principles

### 4.2.1. Supplier selection

As a general principle, TasNetworks encourages the use of existing established suppliers for its procurement of goods and services. This delivers benefits in relation to development of sustainable business relationships whereby there is alignment of TasNetworks' and Suppliers' safety, ethical, environmental and social values. It also allows TasNetworks to benefit from economies of scale through purchasing greater volumes from a smaller number of suppliers.

TasNetworks promotes fair and open competition when selecting new suppliers and will ensure that probity is maintained at all times within procurement activities.

When choosing a supplier, the TasNetworks representative should (at least) take into account the following considerations: price; quality; experience; commitment to safety and environmental considerations; origin of the goods or services (refer to 'Procuring Locally' below); proven ability; ethics; risk; and availability.

Generally, the higher the procurement risks and values, greater effort is required in selecting the optimum supplier as well as the greater the focus that needs to be applied to the contract.

### 4.2.2. Procuring Locally

TasNetworks operates under a regulatory regime that tests the economy and efficiency of purchases, whether goods and services are procured locally, nationally or internationally. It is important that decision-making in relation to procurement is made from a fully informed viewpoint, which takes into account all relevant decision criteria and risks. The origin of goods or services, where appropriate, is one such criterion that should be considered amongst many others.

Team members and agents of TasNetworks should apply the requirements and 'spirit' of the Tasmanian Government 'Buy Local' Policy, having due regard to the management of TasNetworks' business risks (which may take precedence over the origin of goods or services), recognising TasNetworks' over-arching business objectives and other Shareholder Directions that may occur from time-to-time.

TasNetworks will ensure that procurement is undertaken in a way that seeks to maximise the objectives of the Buy Local Policy and in particular, it should be consistent with the general principles of:

- value for money;
- open and effective competition;
- ethical procurement; and
- enhancing opportunities for local businesses.

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TasNetworks will ensure that the procurement processes do not disadvantage local suppliers, and where possible, procurement will be undertaken in a way that reduces administrative burden.

Where procuring locally may deliver benefits in relation to sustainability (refer to 'Sustainable Procurement' at section 4.2.4), this should be given due weighting within the overall procurement decision criteria.

### 4.2.3. Mainland or Overseas suppliers

Notwithstanding 4.2.2, it may be necessary to procure items from the mainland or overseas suppliers due to technical requirements or capability.

For procurements from overseas whereby the purchase is made in a foreign currency (thereby introducing foreign exchange risk), it may become necessary to enter into a foreign currency hedge.

The Finance and Business Services Group must be notified of all intended foreign currency payments, foreign currency commitments and potential currency hedges immediately as they arise.

### 4.2.4. Sustainable Procurement

TasNetworks aims to ensure that procurement is undertaken with due regard to sustainability principles in accordance with the guidance contained in the Procurement Guideline, the intent of which is to guide the design and implementation of TasNetworks' procurement policies and contract management to support our environmental objectives.

The Procurement Guideline contains further guidance in relation to the following sustainable procurement principles, which should be considered within all procurement activities as appropriate to the circumstances:

- Adopt strategies to avoid unnecessary consumption and manage demand;
- In the context of whole-of-life value for money, select products and services which have lower environmental impacts across their life cycle compared with competing products and services;
- Foster a viable market for sustainable products and services by supporting businesses and industry groups that demonstrate innovation in sustainability; and
- Support suppliers to TasNetworks who are socially responsible and adopt ethical practices.

TasNetworks team members and agents should give due consideration to these principles when developing contract scopes of work, selecting suppliers and drafting contractual terms and conditions.

### 4.2.5. Pre-qualified suppliers and service providers

TasNetworks may pre-qualify potential suppliers or service providers for specific types of work, services or equipment supply.

Pre-qualified suppliers or service providers will be recorded and appointed to an approved pool of contractors or consultants capable of being used for a specific range of works or services.

These works or services may then be sourced by:

- a Request for Tender or Request for Proposal which is issued to a selected group of pre-qualified suppliers approved for that specific work; or
- direct appointment as the sole pre-qualified contractor or consultant – strictly subject to specific criteria. Direct appointment may be subject to 'open book' negotiation or direct quotation as appropriate (refer to 4.3.6).

When undertaking closed tenders, TasNetworks will only seek submissions from pre-qualified suppliers.

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For Design and Construct, Construct only and Design only works, TasNetworks has established panels of contractors engaged under umbrella agreements. Where appropriate these panels should be engaged for associated works.

### 4.3. Selecting the procurement method

Procurement under purchase order, purchasing card, purchase invoice or via cash purchase must be completed in accordance with the below business rules depending on the circumstances of the procurement (refer to relevant section).

The decision as to whether a purchase should be made under contract, purchase order, or on invoice alone is determined by the cost of the procurement and the complexity of the scope (as determined by whether a written scope of works/specification is required).

As a general rule, procurements which are not made under an existing contract/umbrella agreement (refer 4.3.6 & 4.3.7) and:

- exceed \$25K (regardless of whether scope is basic or complex) or
- exceed \$5K and the scope is complex (requires a written specification)

....require a contract to be raised. Procurements which are basic in nature and have a value \$5K - \$25K may be made under purchase order only.

Whenever a contract (refer to 4.3.6) is used, the purchase order is forwarded to the supplier but terms and conditions **are not** included because the terms and conditions of supply have already been established in the contract. The Purchase Order references the contract number.

Refer to the Procurement Guideline for further guidance.

#### 4.3.1. Purchase order

From 1 July 2014, two purchase order requisition systems will operate in parallel (iPOS for those team members who originate from Transend and ProcureGate for those team members who originate from Aurora Distribution). This will apply until such time as TasNetworks moves to one requisitioning system.

As a rule, whenever TasNetworks wishes to purchase goods and services that are not otherwise required to be procured by other methods (refer to 4.3.2 – 4.3.4 of this policy) the iPOS or ProcureGate requisitioning and ordering systems should be used. Purchase orders will be raised within the relevant Accounting System.

The procedure 'Procuring by Purchase Order' describes how to procure using this method.

#### 4.3.2. Purchasing cards

Purchasing cards are issued to TasNetworks team members who have demonstrated an operational need for them. Purchasing cards are used to make on-the-spot purchases for travel, accommodation and entertainment expenses and low value goods and services which are required in emergency circumstances.

Purchasing cards are not 'tap and go' cards.

Not all team members will require purchasing cards.

Fixed and attractive assets (such as power tools, digital cameras etc) are strictly not to be purchased using purchasing cards.

The procedure 'Procuring by Purchasing Card' describes how to procure using this method.

### 4.3.3. Purchase Invoice

From 1 July 2014, two accounting systems will operate in parallel (Sun Financial for those team members who originate from Transend and Navision for those team members who originate from Aurora Distribution). This will apply until such time as TasNetworks moves to one accounting system.

As a rule, whenever TasNetworks wishes to purchase goods and services that are valued at less than \$5K and not otherwise required to be procured by use of a purchase order (i.e. there is no contract in place) or by using purchasing methods as detailed on refer to 4.3.3 – 4.3.4 of this policy, the Sun Financial or Navision systems will be used to process a purchase invoice.

The procedure 'Procuring by Purchase Invoice' describes how to procure using this method.

### 4.3.4. Cash purchases

A team member may have the need to use their own cash or credit card to directly procure TasNetworks goods or low value services where a purchasing/credit card is not accepted by the supplier or incidental travel expenses are incurred. Team members will be reimbursed for such TasNetworks approved cash purchases.

Team member allowances cannot be claimed via this method.

Contractor, consultant and supplier payments cannot be made via the team member reimbursement process because of tax withholding obligations.

For further details on this payment method refer to the Procurement Guideline.

### 4.3.5. Non-discretionary items

TasNetworks is obliged to make non-discretionary payments for items and supplies such as rates, utility accounts, compensation payments, donations, taxes, dividends etc. Often the authorisation of these payments is a reserved function and as such, specific delegations and limits must be applied as per the Delegations Framework.

Such payments are to be approved in accordance with the process detailed in the Procurement Guideline.

Contractor, consultant, supplier, and team member reimbursements cannot be made using this method.

### 4.3.6. Procurement under contract

During procurement planning for purchases that will result in a contract being executed, the TasNetworks team member or agent responsible for the procurement must select the appropriate procurement method. The following methods may be applied:

- Engagement of an existing supplier;
- Tenders (open or closed)
- Request for Quotations;
  
- Request for Proposal;
- Expression of Interest; or
- Direct Selection

All of the above methods must be undertaken via engagement of the Tendering and Contracts team at the commencement of the process.

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TasNetworks should consider 'testing the market' where a perceived opportunity exists for a more favourable outcome (than the status quo) from conducting a competitive process.

The method employed will be appropriate to the circumstances of the procurement, with due consideration to 'Procurement Considerations' (section 4.1.1) and any other relevant factors.

The procurement method employed should deliver the best value for money to TasNetworks, balancing all associated risks associated with the procurement.

A direct selection may be made if the supplier is a member of a panel or pool of contractors, and has been chosen to undertake the work based on skill set and overall 'fit' to perform the work. Under direct selection, open book negotiation may be the process utilised, otherwise only one supplier may be required for a quotation. Further guidance on use of direct selection is contained in the Procurement Guideline.

Further guidance on each method of procurement under contract is contained in 'Procurement using a contract' Procedure.

### 4.3.7. Procurement under Umbrella Agreement

Whenever TasNetworks has a current umbrella contract in place, new work will be arranged by either:

- for consultancies – a Request for Services (RFS)
- for construction works – a Request for Works (RFW).

The RFS or RFW will reference the original contract and draw upon the terms and conditions therein. The RFS or RFW will incorporate the scope of work, fees payable, time frames and any other terms applicable to the required task.

## 4.4. Approval for Procurement

Approval of purchase orders and execution of contracts must be in accordance with the TasNetworks Delegations Framework.

For any procurement that will result in a contract being awarded on behalf of TasNetworks that requires execution under the TasNetworks Delegation Framework by a direct report to a General Manager **or higher**, a Procurement Plan is required to be completed in order to document advance approval for undertaking the procurement. Notwithstanding this, use of the Procurement Plan at all levels is encouraged.

When a TasNetworks representative wishes to **direct appoint** a service provider to provide goods or services, a procurement plan should be completed by the TasNetworks representative who wishes to procure the goods or services, and approved by the representative's supervisor (whilst always acting within their delegated authority). This requirement does not apply to direct appointment of a contractor under an existing umbrella agreement.

Variations to contracts to increase funding or extend the period of contracts are to be approved in accordance with the Delegations Framework. This process is administered by the Tendering and Contracts Team.

Further details and directions for completion of a Procurement Plan are contained in the Procurement Guideline.

## 4.5. Form of Contract

A contract is normally used for the supply of major works and minor works, services, consultancies, procurement of major equipment, labour supply, and software.

Contracts take a variety of forms, depending on the supplier and the nature of the procurement. Generally Australian Standard (AS) contracts are used to cover a broad array of works and services that TasNetworks uses including design, construct, supply, install, or combinations thereof as well as for consultancies. Other standard form contracts may be used where the risk profile of the procurement warrants AS contracts not being used.

Legal Services must approve:

- amendments to TasNetworks' standard suite of contracts (AS or other precedent documents); and
- departures from TasNetworks standard legal terms and conditions that may be proposed by Suppliers.

Where Suppliers propose contract amendments of a commercial nature, acceptance of those terms or a negotiated compromise position will be decided by the TasNetworks Representative procuring the goods or services in consultation with the Tendering and Contracts team.

Receipt of a procurement made under an AS Contract may also be subject to specific terms and conditions which must be adhered to.

Refer to TasNetworks Procurement Guideline for further detail on different types of contracts.

## 4.6. Contract Owner Responsibilities

For each TasNetworks contract, the TasNetworks representative who initiates the contact will be the 'Contract Owner'. The Contract Owner is responsible for (at a minimum):

- Leading decision making on contracting strategy in relation to specific contracts
- Liaising with the Tendering and Contracts Team during a market testing process, including:
  - preparing scope of works and technical specifications;
  - making decisions regarding the duration and value of the contract;
  - undertaking a risk analysis if deemed necessary;
  - providing appropriate KPIs for inclusion in the contract; and
  - assembling an appropriate evaluation team
- Reviewing expenditure against contract and relevant budget;
- Maintaining awareness of contract expiry and ensuring adequate planning is undertaken to allow informed decisions (i.e. providing adequate notice to Tendering and Contracts Team);



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- Initiating and approving (where delegated authority allows) contract variations;
- Ensure ongoing contractor management by:
  - coordinating and attending contractor meetings;
  - measuring and recording KPIs; and
  - ensuring that claims made by the contractor reflect fairly, the goods and services provided.
- Identifying and resolving performance/quality/emerging business risk during the life of the contract;
- Contacting Legal Services if necessary when potential legal issues arise (disputes etc); and
- Where contractor auditing is required, ensuring the contractor is included in the annual audit program – contact the Safety Health Environment and Quality (SHEQ) team.

### 4.7. Record keeping

All team members and agents of TasNetworks are responsible for complying with the TasNetworks Information Management Policy. In addition to the general record keeping responsibilities contained in the policy, the below specific responsibilities also apply in relation to procurement records:

#### 4.7.1. Electronic storage of Information

Contract information must be submitted to the Tendering and Contracts team for registration in the Records Management System, ContractMax or the Contract Database, which must provide a unique identifying number for each contract which must be quoted on all documentation relevant to that contract.

Additional contract related documentation will be required to be stored within the Records Management system by the Contract Performance and Delivery Team. Records related to TasNetworks' transmission and distribution assets may also be recorded in the Asset Management Information Systems.

#### 4.7.2. Contracts - hard copies

All original contract documents must be physically stored in a secure TasNetworks location.

## 5. Key stakeholders and responsibilities

### 5.1. Procurement responsibilities

All team members and agents of TasNetworks involved in procurement activities are responsible for ensuring compliance with this policy.

Additional detail on specific responsibilities for tasks within the procurement process is provided within the Guideline and procedures referenced in section 8 of this document.

## 5.2. Document responsibilities

Position	Approval	Custodian	Implementation	Compliance	Review
CEO	Yes				
TNLT			Yes	Yes	Yes
Leader, Commercial Services		Yes	Yes	Yes	
Team Leader Tendering and Contracts		Yes	Yes	Yes	Yes

## 6. Whistle blowing Statement

If an individual is concerned about consequences associated with reporting a serious breach of this Policy, that individual should refer to the Public Interest Disclosures (“Whistleblowers”) Policy and Procedures available on the TasNetworks’ intranet.

## 7. Compliance Statement

Non-compliance with this Policy will be dealt with in accordance with TasNetworks performance management process which may include dismissal.

## 8. References

- TasNetworks Procurement Guideline
- TasNetworks Procuring by Purchasing Card
- TasNetworks Procuring by Purchase Order Procedure
- TasNetworks Procurement Using a Contract Procedure
- TasNetworks Delegations Framework/Manual
- TasNetworks Code of Conduct
- TasNetworks Information Management Policy
- Tasmanian Government ‘Buy Local’ Policy
- TasNetworks Public Interest Disclosure Procedures (Whistle-blowers Procedures)
- Australian Standard Code of Tendering (AS4120)
- TasNetworks Fraud and Corruption Control Policy
- TasNetworks Procurement Plan template

## 9. Definitions

Term	Definition
ABN	Australian Business Number
AS Contract	A contract established under standard terms and conditions developed by Standards Australia. AS forms cover a wide array of works and services which TasNetworks uses periodically. They cover design, construction, supply, installation or combinations thereof and consultancies.
Contract	A formal agreement or arrangement between parties (or a document setting out a formal agreement) that is enforceable by law and describes the rights and obligations of the parties to the contract.
Delegations Framework	TasNetworks' suite of documents detailing the Board's approved delegations to the CEO and staff. The documents contain delegation principles, financial delegation for each role and reserved functions or special delegations for certain roles.
Invoice	A bill or account for goods and services supplied by a vendor. If the invoice is from an Australian GST registered supplier, then it must meet the ATO's requirements for a tax invoice.
Open book negotiation	A specific function of umbrella panel agreements in place with selected panel members for 'Design', 'Construct only' and Design and Construct contracts.
Preferred Supplier	A supplier that has been determined to be the most desirable in meeting the requirements for a specific range of goods and/or services.
Prequalified suppliers	Certain potential suppliers/service providers may be chosen to be prequalified for a specific type of work, service or supply.
Purchase order	An official order provided to a supplier after a requisition has been approved. It establishes a firm commitment in the financial system. The purchase order number is unique and must be quoted on all procurement documentation relating to that order.
Purchasing Card	A credit card issued by TasNetworks' banking service provider against a TasNetworks bank account to make on-the-spot purchases for a limited range of small dollar, consumable (not asset related) goods and services. Purchasing cards are not 'tap and go' cards.
Requisition Systems	iPOS or ProcureGate Purchase Order requisition systems which are used to request a Purchase Order
Reserved function	A special task, role, purpose or function delegated specifically to an individual or group that other staff or agents are <u>not</u> permitted to undertake.
Sustainable Procurement	A process whereby organisations meet their needs for goods, works and utilities in a way that achieves value for money on a whole life basis in terms of generating benefits not only to the organisation, but also to society and the economy, whilst minimising damage to the environment." (Procuring the Future, Sustainable Procurement Task Force, 2006)
TNLT	TasNetworks Leadership Team.

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Term	Definition
TasNetworks Group	Includes all legal entities, team members and contractors associated with TasNetworks
Tender	A request for competitive formal offers for the supply of equipment, goods and or services.
Umbrella contract	An umbrella contract is an agreement with a Service Provider which sets out the type of work which can be performed, the commercial terms applicable, rates payable and other relevant details and provides for individual engagement using a Request for Services or similar.

## 10. Contact for enquiries (policy custodian)

Gareth Houston, Team Leader Tendering & Contracts

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## 11. Authorisations

Action	Name	Date	Signature
Prepared by	Gareth Houston, Team Leader Tendering & Contracts		
Reviewed by	Emily Palermo, Leader Commercial Services Ross Burrridge, GM Finance and Business		
Authorised by	Lance Balcombe, CEO		
Review cycle	Annually		

## 12. Document Control

Date	Version	Description	Author	Approved by
1/07/2014	1.0	Initial Approved Version	Gareth Houston, Team Leader Tendering & Contracts	Lance Balcombe, CEO