

Investment Evaluation Summary (IES)



Project Details:

Project Name:	Customer Initiated Subdivisions
Project ID:	01023
Business Segment:	Distribution
Thread:	Customer
CAPEX/OPEX:	CAPEX
Service Classification:	Standard Control
Scope Type:	D
Work Category Code:	CSUDN
Work Category Description:	Customer Initiated Subdivisions
Preferred Option Description:	Do nothing
Preferred Option Estimate (Dollars \$2016/2017):	\$0

	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29
Unit (\$)	\$5,665	\$5,665	\$5,665	\$5,665	\$5,665	\$5,665	\$5,665	\$5,665	\$5,665	\$5,665
Volume	1255.00	1347.00	1341.00	1384.00	1403.00	1421.00	1421.00	1403.00	1403.00	1403.00
Estimate (\$)	\$7,109,060	\$7,630,203	\$7,596,215	\$7,839,793	\$7,947,420	\$8,049,382	\$8,049,382	\$7,947,420	\$7,947,420	\$7,947,420
Total (\$)	\$7,109,060	\$7,630,203	\$7,596,215	\$7,839,793	\$7,947,420	\$8,049,382	\$8,049,382	\$7,947,420	\$7,947,420	\$7,947,420

Governance:

Works Initiator:	Ewan Sherman	Date:	16/10/2017
Team Leader Endorsed:	Ewan Sherman	Date:	16/10/2017
Leader Endorsed:	Stephen Jarvis	Date:	06/06/2017
General Manager Approved:	Wayne Tucker	Date:	01/11/2017

Related Documents:

Description	URL
Customer Initiated Management Plan	http://reclink/R836589
TasNetworks Corporate Plan 2017–18	http://reclink/R745475
TasNetworks Transformation Roadmap 2025	http://reclink/R764285
TasNetworks Customer Connection Forecasts 2015	http://reclink/RXXXXXX

Section 1 (Gated Investment Step 1)

1. Overview

1.1 Background

This program includes all works associated with facilitating new or modified standard control services for Customer Initiated subdivision developments.

Customer Initiated Subdivisions (CSUDN) includes an aggregation of the following TasNetworks Work Categories:

- SOSDC;
- SOSDI;
- SUSBD;
- LANDS; and
- EASES.

CSUDN has been created to assist in the development of forecast budgeting under Customer Initiated programs. This category excludes basic connection services, which are covered by other programs.

In determining the scope of work for a specific customer connection there are two (2) areas where infrastructure investment may be required:

- Building and connecting Connection Assets, specific to that customer connection; and
- Modifying the existing network through network alterations, expansion and extension works (shared assets alterations) associated with strengthening the network specifically to facilitate only that customer connection.

The specific technical requirements, commercial arrangements, location and type of customer connection, and capability or constraints of the existing network influence the magnitude of individual projects under this program.

1.2 Investment Need

TasNetworks, in its obligations as the Distribution Network Service Provider in mainland Tasmania, must provide connection services as required per the NER to various minimum requirements 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.
 - (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.

1.3 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

1.4 Regulatory Considerations

The National Electricity Rules section 6.5.7(a) gives the capital expenditure objectives that must be met as part of a revenue proposal. This project aligns to the capital expenditure objectives as follows:

Capital expenditure objectives	Yes / No
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1.	Meet or manage the expected demand for standard control services over that period	No
2.	Comply with all applicable regulatory obligations or requirements associated with the provision of standard control services	Yes
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	Yes
(ii)	The reliability or security of the distribution transmission system through the supply of standard control services.	No
	To the relevant extent:	
(iii)	Maintain the quality, reliability and security of supply of standard control services	Yes
(iv)	Maintain the reliability and security of the distribution system through the supply of standard control services	No
4.	Maintain the safety of the distribution system through the supply of standard control services	No

2. Project Objectives

The forecast expenditure under this program is intended to reasonably cover the magnitude of costs that TasNetwork will incur (excluding contributions) to facilitate customer connection services in accordance with the requirements of the NER.

The objective of this program is therefore to allocate adequate funding for TasNetworks to manage the reactive nature of customer initiated activity.

Future program budgets are developed using connection forecasts and connection unit rates based on GSP and historical expenditure respectively. The connection forecast associated with this program is available in the TasNetworks Connections Forecast 2015.

3. Strategic Alignment

3.1 Business Objectives

Strategic and operational performance objectives relevant to this project are derived from the TasNetworks 2017–18 Corporate Plan, approved by the board in 2017. This project supports the four pillars to the strategy, included in the corporate plan:

- we care for our customers and make their experience easier
- we keep safe, build trusting relationships, and enable our people to deliver value
- we manage our assets to deliver safe and reliable services, while transforming our business
- we operate our business to deliver sustainable shareholder outcomes

3.2 Business Initiatives

Our TasNetworks Transformation Roadmap 2025, published in June 2017, identifies business-wide programs that we need to focus on to achieve our strategic goals. This project supports the following transformation programs as set out below:

- Voice of the customer: we anticipate and respond to changing needs of customers and market conditions
- Network and operations productivity: we'll improve how we deliver the field works program, continue to seek cost savings and use productivity targets to drive our business
- Electricity and telecoms network capability: to meet customer energy needs and ensure power system security, we'll invest in the network to make sure it stays in good condition, even while the system grows more complex
- Predictable and sustainable pricing: to deliver the lowest sustainable prices, we'll transition our pricing to better reflect the way you produce and use electricity
- Enabling and harnessing new technologies and services: by investing in technology and customer service, we'll be better able to host the technologies customers are embracing

4. Current Risk Evaluation

TasNetworks risk evaluation is described below. As this program is a forecast budget allocation for Customer Initiated activity, a risk assessment has not been conducted for the development of this program.

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 as follows:

Risk Category	Risk	Likelihood	Consequence	Risk Rating
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Section 2 (Gated Investment Step 2)

5. Preferred Option:

Provide connection services as required.

Subdivision developments include residential and commercial/industrial activities.

Connection assets associated with this connection class, both residential and commercial, are based on basic infrastructure and typical loadings per lot. The 'per lot' assessment includes the electrical infrastructure and does not include civil works associated with any excavation, trenching, backfilling or reinstatement within the subdivision development.

Connection assets associated with this connection class may include:

- Medium complexity connections o LV & HV feeders;
 - installation of a distribution transformer; and
 - possible upstream shared asset alterations may be required.

5.1 Scope

This program includes customer initiated standard control services associated with subdivision developments, including:

- New or modified connection services

This program excludes:

- Basic Connection Services;
- Pre-Connection Services); and
- Non-demand network alteration services

5.2 Expected outcomes and benefits

Connection services are provided and managed effectively in accordance with Tasnetworks regulatory and legislative obligations to meet the requirements as requested by customers.

5.3 Regulatory Test

Not Applicable

6. Options Analysis

6.1 Option Summary

Option description	
Option 0 (preferred)	Do nothing
Option 1 (preferred)	Provide customer initiated connection services (standard control) as required. No NPV analysis has been undertaken to develop the forecast budget allowance under this program.

6.2 Summary of Drivers

Option	
Option 0 (preferred)	
Option 1 (preferred)	This allocated investment is required to enable Tasnetworks to facilitate connection requests from customers in accordance with our regulatory and legislative obligations

6.3 Summary of Costs

Option	Total Cost (\$)
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Option 0 (preferred)	\$0
Option 1 (preferred)	\$19,600,000

6.4 Summary of Risk

As per Section 4, a risk assessment has not been conducted for the development of this program.

6.5 Economic analysis

Option	Description	NPV
Option 0 (preferred)	Do nothing	\$0
Option 1 (preferred)	Provide customer initiated connection services (standard control) as required. No NPV analysis has been undertaken to develop the forecast budget allowance under this program.	\$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