



TransGrid

Application for transmission licence

TransGrid Services Pty Limited as trustee of
TransGrid Services Trust

24 September 2019

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1. Introduction

TransGrid Services Pty Limited (ACN 626 136 865) as trustee for TransGrid Services Trust (ABN 94 121 353 950) (**TransGrid Services** or **the Applicant**) seeks a licence to transmit electricity for specific connection and extension assets associated with the Berrybank Wind Farm.

The Berrybank Wind Farm has a generating capacity of 180 MW and is located in South-Western Victoria approximately 14km to the east of Lismore and 16km to the west of Cressy. The project is part of the Victorian Government's Renewable Energy Auction Scheme to support achievement of its Renewable Energy Target. TransGrid Services has entered into contractual arrangements with Berrybank Development Pty Ltd (ABN 94 146 466 882) to build, own, operate and maintain the contestable transmission assets associated with the connection of the Berrybank Wind Farm to the Victorian transmission network.

TransGrid Services has sought to adopt a service model that will enable it to better focus on its long term asset ownership and performance. In doing so, it has entered into a supplier relationship with its related entity, NSW Electricity Networks Operations Pty Limited (ACN 609 169 959) as the trustee of the NSW Electricity Networks Operations Trust (ABN 70 250 995 390)(trading as **TransGrid**) to undertake building, operation and maintenance work of the connection and extension assets associated with the Berrybank Wind Farm. TransGrid Services will leverage the skills and capabilities of TransGrid as well as the strong relationships with developers to deliver best in class connections projects that meet customer needs and priorities.

As the owner of the connection and extension assets, TransGrid Services will need to hold a transmission licence under the *Electricity Industry Act 2000* (Vic) (ss.16-20). The licence needs to be in place before the Berrybank Wind Farm is energised. Energisation of these assets is planned for January 2020.

TransGrid Services provides the following application details in accordance with the 'Guidance Note for Application for Electricity Licences' issued by the Essential Services Commission Victoria (**ESC** or **the Commission**) in 2006.

1.1 Information on the Applicant and nature of the Application

1.1.1 Name of the Applicant

TransGrid Services Pty Limited (ACN 626 136 865) as trustee for TransGrid Services Trust (ABN 94 121 353 950)

1.1.2 The ABN or ACN Details

ACN 626 136 865

1.1.3 Registered, business and/or postal address

Level 1
180 Thomas Street
Sydney NSW 2000

1.1.4 Contact person on behalf of the applicant

Hilary Priest
Compliance Manager
TransGrid
T: [REDACTED]

E: [REDACTED]

1.2 Corporate Structure

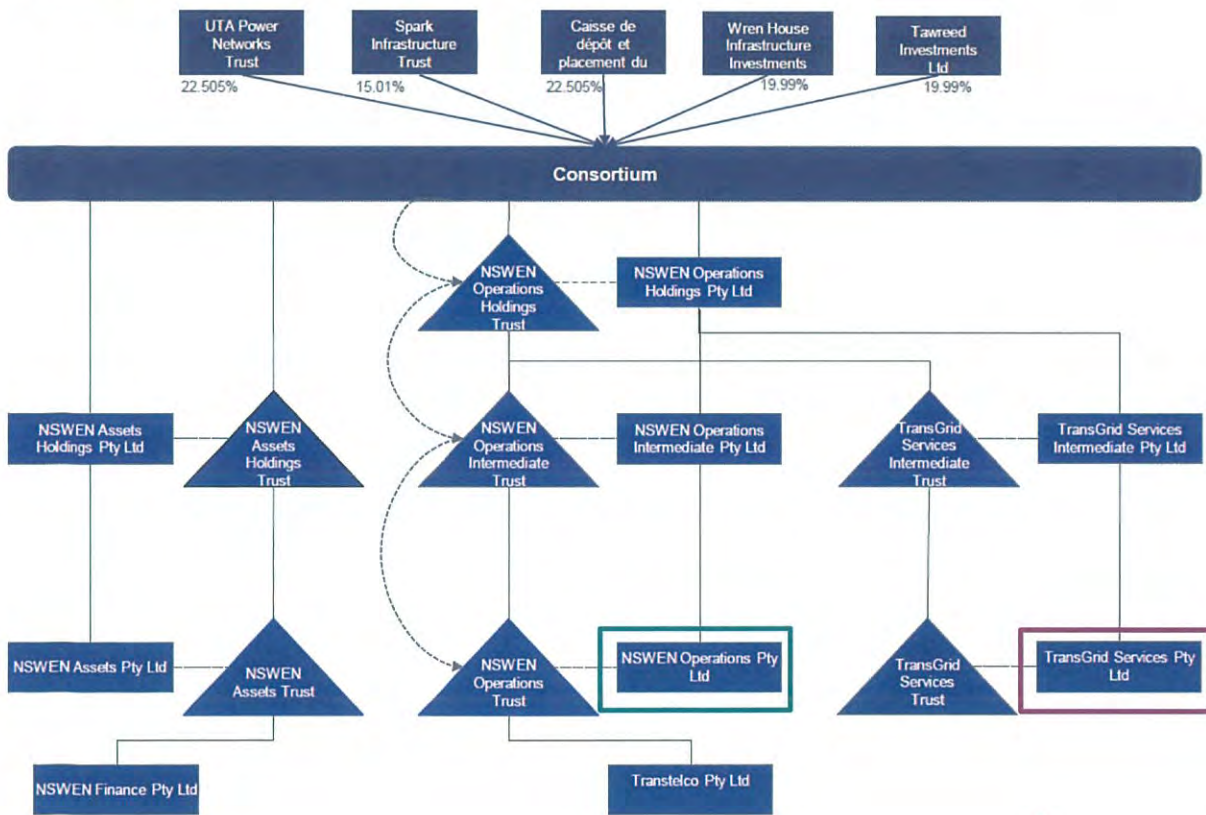
TransGrid Services is a member of the same corporate group as TransGrid, the operator of the transmission network in NSW and the ACT.

The ownership and structure of TransGrid Services is set out in Section 1.2.1 below.

TransGrid Services was established by the TransGrid group as an independent vehicle separate to the NSW/ACT transmission network for the primary purpose of investing in new contestable transmission assets. It will enable the TransGrid group to become more competitive in pursuing the contestable transmission assets, providing a better outcome for its customers and ultimately therefore electricity end-users. TransGrid will continue to operate the NSW/ACT transmission system and the Deer Park Terminal Station in Victoria.

1.2.1 Diagram of corporate or other structure (including details of any parent and related companies within the meaning of the Corporations Act 2001 [Cth])

TransGrid Group Structure



- Entity that is currently registered as a TNSP and is trading as TransGrid
- Applicant

1.2.2 Securityholders

The upstream equity interests in TransGrid Services are held (indirectly) by the same consortium that holds equity interests in TransGrid. Information on each Securityholder is summarised in the below table. A table which also includes the Securityholders' percentage ownership interest is set out in **Confidential Annexure 1**.

Securityholder	Description
Caisse de depot et placement du Quebec (CDPQ)	One of the largest institutional fund managers in North America with net assets totalling over C\$270 billion (~C\$15 billion infrastructure).
Spark Infrastructure Trust	Spark Infrastructure is an ASX-listed infrastructure network specialist investment fund with a market capitalisation of approximately \$4.5 billion.
Tawreed Investments Ltd	Tawreed Investments is an infrastructure investment vehicle wholly owned by the Abu Dhabi Investment Authority.
UTA Power Networks Trust (managed by Morrison & Co)	Global specialist manager of infrastructure assets on behalf of UTA Power Networks.
Wren House Infrastructure Investments Asset Trust	Wholly owned indirect subsidiary and global direct infrastructure investment vehicle of the Kuwait Investment Authority.

1.2.3 Description of the principal activities of the key entities in the structure

NSW Electricity Networks Assets Trust

- > NSW Electricity Networks Assets Trust entered into a 99-year lease with the NSW State Government over the transmission network assets, which it subleases to NSW Electricity Networks Operations Trust.
- > NSW Electricity Networks Assets Pty Limited is the trustee of the NSW Electricity Networks Assets Trust.
- > NSW Electricity Networks Assets Holdings Pty Limited is the trustee of the NSW Electricity Networks Assets Holdings Trust.

NSW Electricity Networks Operations Trust

- > NSW Electricity Networks Operations Pty Limited as trustee for the NSW Electricity Networks Operations Trust is the licenced operator of the NSW and ACT transmission networks and the Deer Park Terminal Station in Victoria, and holds all of the necessary rights, licences, systems and people to operate and manage these networks.
- > NSW Electricity Networks Operations Holdings Pty Ltd is the trustee of the NSW Electricity Networks Operations Holdings Trust.
- > TransGrid Services is a wholly owned subsidiary of NSW Electricity Networks Operations Holdings Pty Ltd as trustee of NSW Electricity Networks Operations Holdings Trust.

1.3 Organisational structure

TransGrid Services will utilise the expertise of TransGrid to carry out all its electricity industry operations. This will be achieved through agreements that have been entered into between TransGrid and the Applicant on arms' length commercial terms. These cross-structure agreements comprise:

- > A **Management Services Agreement** for the provision of all necessary corporate services including financial, reporting, treasury, tax and legal services to enable TransGrid Services to function as a business
- > A **Construction Management, Operations and Maintenance Services Agreement (COMA)** for the provision of all project specific construction, operation and maintenance services (including scoping, design, project management, procurement, operation and maintenance) necessary to enable TransGrid Services to satisfy its obligations under its customer contracts, operating authorisations and licences, and applicable laws in relation to TransGrid Services' projects.

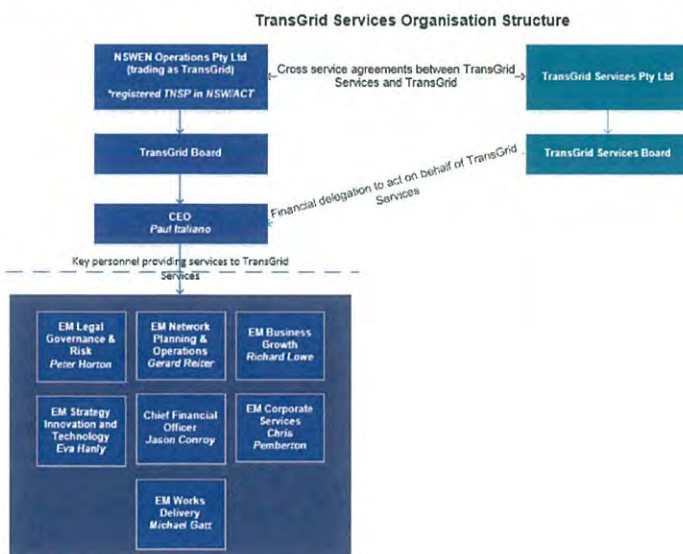
The Agreements are attached in **Confidential Annexure 2**.

TransGrid Services' capability to operate in the National Electricity Market (**NEM**) is based on the arrangements contained in these cross-structure agreements that are intended to bring TransGrid's staff, systems and expertise to deliver connection services to TransGrid Services' customers.

For each project, TransGrid Services and TransGrid may enter into a **Project Service Agreement** which provides for project-specific services to be provided on a case by case basis, governed by the overarching umbrella terms of the COMA.

1.3.1 Diagram of organisational structure (including composition of the board, management and other key personnel)

The below organisational structure demonstrates how the cross-structure agreements gives TransGrid Services access to TransGrid's key personnel and approximately 1,000 strong workforce.



1.3.2 TransGrid Services Board of Directors

An experienced Board of Directors is responsible for the overall corporate governance of TransGrid Services. This includes responsibility to provide effective guidance and direction, independence in decision making, and executive development and succession planning to ensure consumers continue to receive safe, reliable, affordable and sustainable energy.

Jerry Maycock – Chair

Jerry Maycock was appointed as Chair of TransGrid on 22 February 2018. Jerry has spent over thirty five years in business leadership roles. As a senior executive he worked principally in the building and construction materials industries, and more recently as a chair and non-executive director in energy, resources and infrastructure.

Having begun his career with Shell Oil in the UK and then New Zealand, he held a number of senior management positions in Australia, principally with Swiss-based construction materials multinational group Holcim Ltd over a twenty year period. Subsequently he held several other senior management positions, the last being Managing Director and CEO of CSR Ltd.

Rick Francis - Director and Deputy Chair

Rick Francis was appointed as a Director of TransGrid on 16 December 2015. Rick has over twenty years' experience in the Australian energy and energy infrastructure industries. He has been the Managing Director and Chief Executive Officer of ASX-listed Spark Infrastructure since May 2012.

Prior to joining Spark Infrastructure as Chief Financial Officer in 2009, he was employed by the ASX-listed gas transmission and energy infrastructure business APA Group, where he was Chief Financial Officer for four years. He also worked for Origin Energy Limited for over eight years in a number of senior management roles including Group Financial Controller for over five years.

Bénédicte Colin – Director

Bénédicte Colin was appointed to the TransGrid Board on 19 April 2017. Bénédicte has over twenty years' experience in infrastructure, project finance and corporate governance in both Australia and France.

Prior to joining Caisse des Depots du Quebec in February 2017 as Director of Asset Management and Infrastructure, Bénédicte was the CEO of Keolis Downer, operator of Yarra Trams. Bénédicte worked on the Victorian Desalination project from its bid phase in 2009 to leading its \$3.7 billion first refinancing in 2013.

Bénédicte was co-founder and partner at law firm De Gaulle Fleurance & Associate in Paris, where she handled large merger and acquisition transactions. Bénédicte holds a Baccalaureate with distinction in Mathematics and Science, and an MBA from ESSEC in Paris. She holds a postgraduate degree in Business and Tax Law from the University of Strasbourg. Bénédicte is a director of Plenary Group Holdings, a specialist in public-private partnership infrastructure projects.

Gordon Hay - Director

Gordon Hay was appointed to the TransGrid board on 1 July 2018. Gordon is an Executive Director at Morrison & Co, where he holds the role of Portfolio Performance Director for the Utilities Trust of Australia. Gordon has a broad infrastructure background, with specific expertise in energy markets and regulated utilities. His experience spans investment management, corporate governance, and corporate advisory. Prior to joining Morrison & Co, Gordon was a senior member of QIC's Global Infrastructure business, where he led the Energy & Utilities investment team and had responsibility for asset management across QIC's infrastructure portfolio.

Gordon previously served on the board of Powerco Limited, New Zealand's largest regulated energy network. Prior to QIC, Gordon was an Executive Director at an Australian boutique investment bank where he was responsible for origination and execution of M&A transactions, debt financings and equity raisings across the infrastructure, energy and resources sectors.

Jean-Etienne Leroux - Director

Jean-Étienne Leroux is Regional Director, Transactions & Asset management on the Infrastructure team of Caisse de dépôt et placement du Québec (CDPQ) since 2006. While heading the office of CDPQ in Sydney, he has a mandate to develop a portfolio of quality infrastructure holdings in Australia, and to manage specific assets within the portfolio, including the Port of Brisbane, TransGrid and Plenary Group, for which he led the acquisition processes.

Jean-Étienne joined CDPQ in 2001. In this capacity, he has led transactions and managed investments, notably in the following sectors: social infrastructure; public transportation; water; energy infrastructure; utilities; toll roads; airports and ports.

Jean-Étienne is on the Board of Directors of TransGrid, the Port of Brisbane and Plenary Group, and has previously served on the boards of In Transit BC (British Columbia, Canada), the Budapest Airport, South East Water (United Kingdom) and on the Oversight Committee of Fiera Axium Infrastructure (Québec, Canada).

Julie Stanley – Director

Julie Stanley was appointed to the TransGrid board as an independent Director on 16 December 2015. Julie is a former Assurance & Advisory partner at Deloitte and has been a Director of Regional Arts Victoria since 2015.

Julie has extensive experience as a Registered Company Auditor with a specialisation in energy and infrastructure. She is a Chartered Accountant and a Graduate of the Australian Institute of Company Directors.

Dr Keith Turner – Director

Keith Turner was appointed to the TransGrid Board on 16 December 2015. Keith possesses extensive experience in the New Zealand energy sector. He served as Chief Executive Officer of Meridian Energy Limited from 1999 to 2008. Prior to that, he worked as a private energy expert advising a range of large corporate clients and Government. He has previously served in a number of senior roles in establishing Contact Energy, and in the Electricity Corporation of New Zealand, and the New Zealand Electricity Department, as well as many industry reform roles. Keith is currently a Non-Executive Director of SA Power Networks, Victoria Power Networks, Citi Power and Powercor, having been appointed to these roles in 2009.

Keith is a Director of Chorus NZ Limited and has previously been Deputy Chair of Auckland International Airport, and Chair of Fisher and Paykel Appliances Limited.

Steven Fitzgerald – Director

Steven Fitzgerald was appointed to the TransGrid board on 1 July 2018. Steven is the Head of Asset Management for HRL Morrison & Co with responsibility for the performance of private market investments made on behalf of clients. He joined Morrison & Co in 2011 after thirteen years of senior executive experience at Wellington International Airport, Infratil Airports Europe and Sydney Airport.

Steven is Chair of Perth Energy, and a Director of Perth and Queensland Airports.

Dr Warren Mundy - Director

Dr Warren Mundy was appointed to the TransGrid Board on 16 December 2015. Warren held senior executive roles in the Australian and European airport industry and has worked for McKinsey and Company, the Reserve Bank and the WA Treasury Corporation.

He retired as a Commissioner on the Australian Productivity Commission after six years, having worked on Regulator Engagement with Small Business, Access to Justice, International Tourism, Transfers and Closures, Public Infrastructure, Australia's Urban Water Sector, the Export Finance and Insurance Corporation, Compulsory Licensing Provisions of the Patents Act and Carbon Pricing in Selected Economies.

Warren is currently a director of the Sydney Desalination Plant, trustee of the Energy Industry Superannuation Scheme, and the National Health Co-Operative. He served on the Board of Air Services Australia as Deputy Chair. Warren is the Chair of the Regulatory Committee and trustee of the NSW Electricity Networks Assets Trust.

1.3.3 Experience of Key Personnel

The following relates to TransGrid's key personnel.

Executive Management Team

TransGrid's executive management team, accessible to TransGrid Services, has considerable experience in electricity and investment management.



Paul Italiano – Chief Executive Officer, BBus MBA CPA

Paul Italiano is the Chief Executive Officer of TransGrid, the operator and manager of the NSW high voltage transmission network. Paul joined TransGrid in May 2016 after serving as the Chief Executive Officer of Western Power since 2012.

Paul's career includes time with Wesfarmers General Insurance as General Manager Business Services; at HBF Health Funds as General Manager Financial Services and Strategic Development; and at the RAC as Chief Financial Officer.

Paul is a CPA and holds a Bachelor of Business and an MBA. He is also a Fellow of CPA Australia, Leadership WA and the Australian Institute of Management.



Jason Conroy – Chief Financial Officer

Jason Conroy joins TransGrid with more than 20 years of capital markets, investment, corporate finance, mergers and acquisitions experience. He was Chief Financial Officer at the DUET Group for 9 years and more recently Chief Executive Officer at MMJ Group Holdings Limited. As part of his role at DUET, he successfully led significant transformation through mergers and acquisitions, recapitalisations and restructuring.



Michael Gatt - Executive Manager, Works Delivery, Dip Elec Eng, B.Com (Business)

Michael Gatt has worked at TransGrid for fourteen years and is Executive Manager of Works Delivery. He has more than twenty years' experience in the electrical supply industry across a diverse range of responsibilities from technical roles to policy development and senior management. Michael currently manages TransGrid's field facing workforce, together with the functional areas of Health Safety and Environment.

Michael has previously held board positions with the NSW Energy and Water Ombudsman. Prior to joining TransGrid, Michael held senior roles with the Department of Energy Utilities and Sustainability, and worked as a Senior Adviser for the NSW Government.



Eva Hanly - Executive Manager Strategy, Innovation & Technology, BEng (Hons), BA, MBA, AICD

Eva Hanly has 18 years' experience in the infrastructure industry having worked for tier 1 contractors, investors, owners and operators of major infrastructure in the energy, transport and mining sectors. She has a strong background in the procurement and delivery of infrastructure and in establishing new businesses, driving growth and leading transformational change.

Prior to joining TransGrid in November 2018, Eva held a number of General Management positions at Transurban including General Manager NSW Development, responsible for the growth pipeline and part of the leadership of the successful WestConnex acquisition. Previously, Eva was General Manager Commercial at Origin Energy responsible for Origin's shareholding investment in the Australian Pacific LNG (APLNG) project, management of APLG's JV

arrangements and non-operated assets, LNG portfolio management as well as establishing and leading the gas marketing business.

She has previously held roles across operations, project management, commercial and strategy functions. Eva sits on the Deans Advisory Council for the Faculty of Engineering at UNSW.



Peter Horton - Executive Manager, Legal, Governance & Risk, BA LLB

Prior to joining TransGrid in February 2017, Peter Horton's career included Group General Counsel and Company Secretary for QBE Insurance Group Limited (2014–2016), Group General Counsel and Company Secretary of Woolworths Limited (2005-2014), General Manager Legal and Company Secretary of WMC Resources Limited (1993-2005) and a Corporate Lawyer then Principal Solicitor at BHP Petroleum Pty Limited.

Peter was awarded a Lifetime Achievement Award for service to corporate law and in house legal by Global Leaders in Law in September 2018. He was the ACLA Australian Corporate Lawyer of the Year in 2002 and his teams were awarded the ACLA Australian Law Award for In-House Legal Department of the Year in 2004 and 2005 (WMC) and 2013 (Woolworths).

Peter is also a member of ACC ASX GC 100 Executive Committee and a non-Executive Director with not for profit company Business for Development (B4D).





Richard Lowe - Executive Manager, Business Growth, LLB

Richard Lowe has over twenty five years' experience in Australian and international capital markets in mergers and acquisitions, financing and operations across the infrastructure sector. In a career spanning commercial law, project finance and investment banking, Richard has led successful bids and financed major projects and acquisitions valued at more than \$100 billion.

Richard is responsible for setting the strategy for and growing TransGrid's non-regulated businesses including new connections and network expansion, telecommunications and property, and strategic acquisitions and commercialising new technology initiatives.

Prior to joining TransGrid in March 2017, Richard was Managing Director for Macquarie Infrastructure's \$2 billion infrastructure portfolio in India which included significant

	<p>businesses in the energy, telecommunications and transportation sectors.</p>
	<p>Chris Pemberton - Chief Information Officer & Executive Manager, Corporate Services, BEng (Hons), MBA, AGSM, GAICD</p> <p>Chris Pemberton joined the TransGrid Executive team in February 2017 and has extensive experience in improving business performance, service delivery and transformation, supported by his diverse background in corporate and business strategy, infrastructure, operations, IT, purchasing, property and engineering.</p> <p>Most recently as the Group Head Corporate Services for Downer, Chris led the engineering services company's IT, procurement, shared services, property and Fit for Business cost reduction program. Prior to joining Downer, Chris ran his own consulting practice and held a number of senior leadership roles with Qantas.</p>
	<p>Gerard Reiter - Executive Manager, Network Planning & Operations, B.Eng (Hons) RPEQ</p> <p>Gerard Reiter is the Executive Manager, Network Planning & Operations at TransGrid. Gerard is responsible for determining TransGrid's strategic asset management decisions, investment strategies in addition to asset performance, environmental approvals and non-network solutions.</p> <p>With more than twenty six years of experience in the Australian electricity supply industry, Gerard has worked in a number of areas including design, project management as well as procurement and contractor engagement. His continued professional interest is focused on the development of technology in the energy industry.</p> <p>Gerard was Chairman of the Australian Power Institute (API) from 2012 to 2016 and is currently on the board of Directors. API is a not-for-profit organisation dedicated to furthering power engineering education.</p>

1.3.4 Employees

As discussed in section 1.3, TransGrid Services will utilise the expertise of TransGrid to carry out all its electricity industry operations through the cross structure agreements. Under these agreements, TransGrid must provide the corporate, construction, operation and management services necessary to ensure that TransGrid Services complies with its contractual commitments to its customers and the requirements under this licence, if granted.

TransGrid's team has a 10 year track record in connecting close to 1.5GW of renewable generation in NSW comprising 13 projects and involving some of Australia's largest renewable energy companies including, AGL, Infigen Energy, Goldwind Australia and Neoen.

1.4 Details of contracts and agreements

The following section details all contracts and agreements for outsourced services that are either under negotiation or have been entered into by TransGrid Services to facilitate the conduct and operation of the electricity business.

1.4.1 Berrybank Wind Farm

TransGrid Services has entered into the following agreements in connection with the Berrybank Wind Farm, attached as **Confidential Annexure 3**:

- > Generator Connection Agreement with the Customer
- > Generator Project Agreement with the Customer.

At the time of submitting the licence application, TransGrid Services is in the processing of finalising the following key agreements:

- > A Project Construction and Coordination Deed with the Customer, AusNet Transmission Group Pty Ltd (ABN 78 079 798 173) and AEMO (PCCD)
- > A PCCD side deed with the Customer and AEMO
- > A Network Services Agreement with AEMO.

1.5 Incorporation Details

TransGrid Services Pty Limited (ACN 626 136 865) was incorporated on 13 June 2018. A Certificate of Registration is attached as **Confidential Annexure 4**.

1.6 If the applicant is an entity formed pursuant to a partnership, include a copy of the partnership agreement

Not Applicable.

1.7 If the applicant is a trust, include a copy of the trust deed

The company is a trustee of TransGrid Services Trust established by a trust deed dated 15 June 2018. Copy of the trust deed is attached as **Confidential Annexure 5**.

1.8 If the applicant is a special purpose or 'joint venture' company, include a copy of any joint venture agreement, shareholders' agreement and/or associated agreements

A copy of TransGrid Services' constitution is attached as **Confidential Annexure 6**.

1.9 If it is proposed to undertake some or most of the operational aspects of a licence, if issued, through a service company, copies of proposed agreements and the relationship with the service provider must be provided.

TransGrid Services has agreements in place with TransGrid to undertake all of the operational aspects of a licence, if granted, as discussed in section 1.4.

1.10 If a non public company, trust or other non public entity, details of the names and addresses of shareholders, unit holders, beneficiaries or others having an interest in the entity.

See section 1.2.2 and Confidential Annexure 1.

1.11 Details of any prosecutions or regulatory complaint commenced against the applicant or any other company or person related to or associated with the applicant as defined by reference to the Corporations law or any key personnel in any jurisdiction, and the results or status of such prosecutions or complaints.

TransGrid Services does not have any prosecutions or regulatory complaints commenced against it. TransGrid, a related entity of TransGrid Services, has been subject to a regulatory complaint commenced against it by Energy Safe Victoria (ESV) in relation to the Deer Park Terminal Station. This complaint was remedied with acceptance by ESV in October 2018. Details of the complaint is attached as Confidential Annexure 7.

1.12 Nature of licence application

1.12.1 Type of licence sought

TransGrid Services seeks an electricity transmission licence under the *Electricity Industry Act 2000* (VIC) to transmit electricity for the Berrybank Wind Farm, and to operate the associated connection assets.

1.12.2 Date from which licence is sought

TransGrid Services requests the licence to be granted with effect from 1 February 2020.

1.12.3 Nature and scope of operations for which the licence is sought

An electricity transmission licence is required to allow TransGrid Services to transmit electricity generated by the Berrybank Wind Farm.

1.12.4 Details of current or former licences held in this and/or other jurisdictions

Not Applicable.

1.12.5 Previous unsuccessful licence applications sought in this and/or any other jurisdictions

Not Applicable.

1.12.6 Licences held by associates of the applicant. The term “associates” includes subsidiaries, parent and other related parties of the application as defined in the “Corporations Act 2001” (Cth)

TransGrid, a related entity of TransGrid Services, is a registered participant in the NEM. It holds the following key licences in respect of the electricity transmission assets operated by TransGrid:

- > VIC Electricity Transmission Licence under section 19 of the *Electricity Industry Act 2000* (VIC) for specific connection and extension assets associated with the Deer Park Terminal Station in Ravenhall, Victoria
- > NSW Transmission Operator’s Licence under section 93A of the *Electricity Supply Act 1995* (NSW) for assets in NSW

- > ACT Utility Services (electricity transmission) Licence under the *Utilities Act 2000* (ACT) for assets in the ACT

Copies of the licences are attached as **Annexure 8**.

In addition, TransGrid holds a carrier licence under the *Telecommunications Act 1997* (Cth). TransGrid is a declared transmission system operator and is exempted by AER from registration for the Deer Park Terminal Station. See **Annexure 9** – Ministerial Order dated 11 December 2015 made under *National Electricity (Victoria) Act 2005* (Vic), Victorian Government Gazette S397, and AER exemption AER-N0219/14.

1.12.7 Licence conditions sought

TransGrid Services understands that the Electricity Transmission Licence, if granted, will have conditions which are substantially the same as, and not more onerous than, the conditions contained in the latest Electricity Transmission Licence issued by ESC prior to the date of this application (i.e. the licence issued to NSW Electricity Networks Operations Pty Limited ACN 609 169 959 as trustee for NSW Electricity Networks Operations Trust ABN 70 250 995 390 on 31 July 2017).

Assuming this is correct, TransGrid Services does not seek any variations to those licence conditions. If ESC proposes to vary or impose different licence conditions, TransGrid Services requests ESC to give TransGrid Services the opportunity to be consulted about the proposed conditions prior to the licence being issued.

1.12.8 Existing activities within and external to the electricity industry and key personnel

TransGrid Services has submitted an application for registration as a Network Service Provider with AEMO.

TransGrid is an active participant in NEM development and seeks representation on relevant committees. TransGrid is a member of the Energy Networks Association, including executive representation on its key committees. TransGrid is also a member of Energy and Water Ombudsman of Victoria (**EWOV**) and the Energy and Water Ombudsman of NSW (**EWON**).

2. The Essential Services Commission's Objectives

TransGrid Services believes that the granting of the licence is consistent with ESC's objectives set out in section 8 and 8A of the *Essential Services Commission Act 2001* (Vic) for the reasons stated below.

2.1 Objectives of the ESC

"To promote the long term interests of Victorian Consumers, having regard to the price, quality and reliability of essential services."

The granting of the licence will contribute to the promotion of the long term interests of Victorian Consumers as it will increase the connection of electricity generation in Victoria. This would provide a commercial alternative for Victorian Consumers and can put downward pressures on electricity prices and help secure reliable electricity supply in Victoria.

Long term interests of Victorian Consumers are also promoted by increased competition in the provision of transmission connection services, which has traditionally been provided by the incumbent provider in Victoria. Increased competition would contribute to more efficient investment in, and the operation of, connection services.

2.2 Matters to which the ESC must have regard

(a) Efficiency in the electricity industry and incentives for long term investment

The granting of the licence will increase competition in the market which will promote efficiency in the industry. TransGrid Services seeks to grow its business, including in Victoria.

(b) The financial viability of the industry

The granting of the licence is consistent will increase competition in the market. A more competitive market facilitates a greater level of discipline on businesses within the industry to ensure an appropriate allocation of risk and return. This will improve the financial viability of the industry. Further, connection of renewable energy projects in Victoria will put downward pressure on electricity prices and help secure electricity supply.

(c) The degree of, and scope for, competition within the industry, including countervailing market power and information asymmetries

The participation of TransGrid Services in the market provides a commercial alternative to the customer and increases competition in the market. A more competitive market places a greater level of discipline on participants in the market and requires them to provide a more competitive offering to their customers. A more competitive market also restrains any temptation for other market participants to use their market power or exploit information asymmetries (if any).

(d) The relevant health, safety, environmental and social legislation applying to the industry

The operation of the connection assets associated with the Berrybank Wind Farm and any other TransGrid Services projects and activities in Victoria is subject to all relevant health, safety, environmental and social legislation applying to the Victorian electricity industry.

TransGrid, as a long-standing operator in NSW and ACT and the operator of the Deer Park asset in Victoria, will be bringing with it a culture of compliance with all relevant health, safety, environment and social legislation, built on stringent internal procedures and staff training.

(e) The benefit and costs of regulation (excluding externalities and the gains from competition and efficiency) for consumers and users of products and services (including low income or vulnerable customers)

The granting of the licence will provide benefits to consumers as it provides a commercial alternative to the customer and increases competition in the market. TransGrid Services believes its participation in the Victorian market will bring generation on line which will put downward pressure on electricity prices for Victorian consumers.

(f) The benefit and costs of regulation (excluding externalities and the gains from competition and efficiency) for regulated entities

The granting of this licence is consistent with this matter, as the benefits of granting TransGrid Services a licence outweighs any costs of regulation.

3. Information on financial viability

The Applicant is capable of meeting the financial viability requirements of providing competitive transmission connection services in Victoria.

3.1 Financial Viability of the entity

TransGrid Services is equity financed for up to its first three years, through a Commitment Deed with its Securityholders. The Commitment Deed is attached as **confidential Annexure 10**.

TransGrid Services' key financial forecasts information is attached as **confidential Annexure 11**.

Details of TransGrid Services financial performance for the period from 13 June 2018 to 30 June 2019 are outlined in the audited TransGrid Services Special Purpose Financial Report attached as **Confidential Annexure 12**. The report was audited by PricewaterhouseCoopers (PWC).

3.1.1 Current balance sheet and financial data

Currently not available.

3.1.2 Significant contracts

See section 1.4.

3.1.3 Annual Report

Not applicable.

3.1.4 Standard & Poor's or other acceptable rating

Currently not available.

3.1.5 Statements from internal/external auditors

TransGrid Services Special Purpose Financial Report is attached as **Confidential Annexure 12**.

3.1.6 Statements from consultants including accountants and legal advisors

Currently not available.

3.1.7 Statement of assets and liabilities

Currently not available.

3.1.8 Shareholder register

TransGrid Services' shareholder register is attached as **Confidential Annexure 13**.

3.1.9 Certificate of registration/partnership agreement/trust deed

A certificate of registration for TransGrid Services is attached as **Confidential Annexure 4**. A trust deed is attached as **Confidential Annexure 5**.

3.1.10 Statements from banks/financiers, shareholders, the board or the parent company

Refer to the Commitment Deed attached as **Confidential Annexure 10**.

3.1.11 Guarantees in place

Refer to the Commitment Deed attached as **Confidential Annexure 10**.

3.1.12 Evidence, where applicable, of an Australian Financial Services Licence, or that an application for this form of licence is in progress or an explanation of why an application for such a licence is not required

Not applicable.

3.1.13 An assurance by the applicant that it has sufficient financial resources to sustain its operations including all prudential requirements set by NEMMCO and/or licensed distributors

Not applicable. The application for registration as a transmission network service provider with AEMO does not have a prudential requirement.

3.1.14 Preliminary discussions and/or negotiations with licensed distributors concerning the credit support arrangements

Not applicable.

3.1.15 Business plans and statements

A TransGrid Services business plan covering the period to 2024 is attached as **Confidential Annexure 14**.

A statutory declaration in support of this application has been provided by Richard Lowe, TransGrid Executive Manager, Business Growth, confirming that the information contained in this application is true and correct.

3.2 Financial viability of the activity

This section provides evidence and support for TransGrid Services' business case that it has sufficient financial resources or access to such resources to sustain a viable business in the electricity industry. The anticipated revenue and operating costs specifically in relation to the connection assets associated with the Berrybank Wind Farm is set out in **Confidential Annexure 15**.

TransGrid Services also has adequate insurance in place. The appointed insurance broker AON has provided a letter of confirmation as set out in **Confidential Annexure 16**.

4. Technical Capacity

As discussed in section 1.3, TransGrid Services has access to the expertise, knowledge and skill base to operate a viable electricity business, including the connection assets associated with the Berrybank Wind Farm under cross-structure agreements with TransGrid. This includes access to TransGrid policies and procedures and also access to the IT systems developed and operated by TransGrid.

4.1 Organisational chart of key personnel with details of experience and knowledge of the industry

Refer to section 1.3.

4.2 Contracts with external service providers, including customer and supply contracts and outsourcing arrangements

Refer to section 1.4.

4.3 Statements from industry bodies including EWOV and other regulators

On 23 July 2019, TransGrid Services became a registered Network Services Provider – Transmission in the NEM. The registration is attached as **Confidential Annexure 17**.

4.4 Internal controls, policies and procedures

The activities of TransGrid Services will be undertaken by staff of TransGrid, who are contractually required to adhere to the policies and procedures of TransGrid. Relevant documents are attached as **Confidential Annexure 18**.

4.4.1 Governance policies

TransGrid has established a robust governance structure with defined roles and responsibilities for the oversight and challenge, based on the Three Lines of Defence operating model.

Board		
Board Audit and Risk Committee		
1 st Line of Defence	2 nd Line of Defence	3 rd Line of Defence
Executives, Business Units, Managers, all staff and contractors <i>(Management control)</i>	Corporate Risk and Compliance <i>(Independent review and challenge)</i>	Internal and External Audit <i>(Independent assurance)</i>
Responsible for adhering to and implementing the requirements as set out in the Corporate Compliance Management Framework, including: <ul style="list-style-type: none"> • Identification, assessment and effective management/mitigation of compliance risks; and • Issues and incident identification, recording, escalation and management. 	Responsible for independent oversight of the compliance risk profile and compliance management framework, including: <ul style="list-style-type: none"> • Effective challenge to activities and decisions that materially affect the compliance risk profile; • Assistance in developing and maintaining the compliance management framework; and • Independent reporting lines to appropriately escalate issues. 	Responsible for independent assurance on the appropriateness, effectiveness and adequacy of the compliance management framework, including that: <ul style="list-style-type: none"> • The framework is used to support decision-making; • 1st and 2nd lines of defence operate effectively; and • Improvements to the 1st and 2nd lines of defence activities are identified and recommended.
Legal		
Provides input and advice across all Three Lines of Defence		

In TransGrid the key elements of corporate governance include:

- > the Board and Board Sub Committees;
- > Chief Executive Officer;
- > Executive Committees;
- > enterprise risk management framework;
- > compliance framework;
- > internal control and assurance;
- > audit;
- > financial and process authorities;
- > position descriptions;
- > business plan and reports; and
- > codes.

The Board is responsible for:

- > reviewing and approving the overall corporate strategy;
- > overseeing the implementation of an effective system of corporate governance;
- > appointment of the Chief Executive Officer;
- > reviewing the performance of senior executives including the Chief Executive Officer;
- > reviewing and endorsing risk management and internal control systems;
- > approving and monitoring financial and other reporting;
- > approving and reviewing the progress of major capital expenditure, capital management, and major acquisitions and divestitures.

4.4.2 Risk & compliance management policies

TransGrid has developed a risk management framework in line with the international standard ISO 31000:2009 “Risk Management – Principles and Guidelines”. Risk management processes are developed in accordance with this standard to improve decision making by understanding the effect of uncertainty on the achievement of business objectives.

TransGrid also implements its compliance management framework to demonstrate its commitment to complying with its key legislative, regulatory and contractual obligations. TransGrid proactively manages obligations by establishing and implementing processes that support compliance. This framework was developed in accordance with the international standard ISO 19600 “Compliance Management Systems Guidelines”.

See **Confidential Annexure 18** for copies of relevant procedures.

4.4.3 Internal controls

Established controls exist and describe the approach taken by the business on key activities in order to meet business objectives, manage risks and comply with legislative and regulatory obligations. These are further categorised into:

- > grid standards
- > technical standards
- > operating manuals
- > design standards
- > work instructions
- > guidelines
- > system guides and user manuals

- > technical manuals, and
- > policies and procedures.

4.4.4 Complaints register and procedures

TransGrid recognises the major role it plays within local communities across the states and territories where it operates, and the impact TransGrid's activities can have on communities, residents and families.

TransGrid values feedback from its stakeholders and to ensure it can respond appropriately, all complaints and enquiries must be recorded and assessed as part of TransGrid's Complaints and Enquiries Management Policy as attached as **Confidential Annexure 19**. TransGrid also recognises consumers' rights to free independent dispute resolution and is therefore a member of EWOV and EWON.

The cross-structure agreements gives TransGrid Services access to Consultation Manager software which is a business-wide Complaints and Enquiries Management System used by TransGrid. This system is used to:

- > provide a single repository for all complaints and enquiry correspondence
- > allow for complaints and enquiries to be managed and reported on
- > maintain records of historical agreements with stakeholders
- > allow for an audit trail to be created when a complaint or an enquiry is recorded, updated and resolved
- > provide a workflow allowing a complaint or enquiry to progress to the relevant staff for action and sign off, and
- > strengthen external stakeholder relationships by having a transparent approach to managing complaints and enquiries.

4.5 Business model/plans

See section 3.1.15.

4.6 References for key personnel

See section 1.3.3.

4.7 Australian Financial Services Licence (if applicable)

Not applicable.

4.8 Demonstrations of billing and management systems (if applicable)

TransGrid Services has access to the IT systems developed and operated by TransGrid.

4.9 Privacy statements

TransGrid Services is bound by the TransGrid Privacy Statement, which can be found in TransGrid's website: <https://www.transgrid.com.au/privacy>. TransGrid employs systems and processes that safeguard the handling and disclosure of personal information it collects from customers and other external parties and stakeholders.

4.10 Document retention policies

TransGrid Services complies with TransGrid's document retention policies. TransGrid manages and controls corporate documents and records to meet its business objectives and to comply with its legislative and regulatory obligations. Additional controls are applied to secure records identified as sensitive and commercial in confidence. TransGrid's quality management system undergoes ISO 9001 certification every three years, including annual surveillance audits. A copy of the procedure is attached as **Confidential Annexure 20**.

4.11 Industry submissions and results of any research supporting the application

Not applicable.

5. Commercial-in-Confidence information

Annexures 1 to 7 and 10 to 20 of this application contain confidential information. TransGrid Services requests that they are not published on the ESC website or otherwise disclosed by ESC to third parties without TransGrid Services prior written consent.

Signed on behalf of the Applicant by:

Signature.....

A black rectangular box redacting the signature of Richard Lowe.

Name: Richard Lowe

Position: Executive Manager, Business Growth

Date: 24 September 2019

6. List of Annexures

1. **Confidential Annexure 1** – Securityholder details
2. **Confidential Annexure 2** –
 - a. *Management Services Agreement* dated 19 June 2018 between TransGrid and TransGrid Services
 - b. *Construction Management, Operations and Maintenance Services Agreement* dated 19 June 2018 between TransGrid and TransGrid Services
3. **Confidential Annexure 3** –
 - a. Generator Connection Agreement, dated 6 February 2019
 - b. Generator Project Agreement, dated 6 February 2019
4. **Confidential Annexure 4** – Certificate of Registration for TransGrid Services
5. **Confidential Annexure 5** – Trust Deed dated 15 June 2018
6. **Confidential Annexure 6** – TransGrid Services Constitution
7. **Confidential Annexure 7** – Details of regulatory complaint
8. **Annexure 8** –
 - a. TransGrid NSW transmission operator's licence under section 93A of the *Electricity Supply Act 1995* (NSW)
 - b. TransGrid ACT utility services (electricity transmission) licence under the *Utilities Act 2000* (ACT)
 - c. TransGrid VIC electricity transmission licence in relation to the Deer Park Terminal Station under section 19 of the *Electricity Industry Act 2000* (VIC)
9. **Annexure 9** –
 - a. Ministerial Order dated 11 December 2015 made under the *National Electricity (Victoria) Act 2005* (Vic), Victorian Government Gazette S397
 - b. AER exemption AER-N0219/14.
10. **Confidential Annexure 10** – *Commitment Deed* dated 22 June 2018 between the Consortium and TransGrid Services
11. **Confidential Annexure 11** – Key financial forecasts
12. **Confidential Annexure 12** – TransGrid Services Trust Special Purpose Financial Report for the period from 13 June 2018 to 30 June 2019
13. **Confidential Annexure 13** – Register of Shareholders, 15 June 2018
14. **Confidential Annexure 14** – TransGrid Services Business Plan FY2020 to 2024
15. **Confidential Annexure 15** – Anticipated revenue and costs
16. **Confidential Annexure 16** – Letter of confirmation of insurance coverage from insurance broker AON
17. **Confidential Annexure 17** – TransGrid Services TNSP Registration Approval – 23 July 2019
18. **Confidential Annexure 18** –
 - a. *Risk Management Framework*, 28 February 2019
 - b. *Corporate Compliance Management Framework*, 11 August 2017
 - c. *Compliance Breach Management Framework*, 22 April 2016
 - d. *Business Continuity Management Procedure*, 19 March 2019
 - e. *Corporate Emergency Management Plan*, 31 July 2017
 - f. *Power System Emergency Response Plan*, 22 February 2019
 - g. *Regulatory Incident Reporting Procedure*, 1 April 2019
 - h. *Environmental Incident Management*, 16 November 2017
 - i. *Health and Safety Incident Management*, 15 October 2018

19. **Confidential Annexure 19** – *Complaints and Enquiries Management Policy*, May 2015
20. **Confidential Annexure 20** – *Document and Records Management*, 23 March 2017

7. Statutory Declaration

I, *Richard Lowe* of Level 1, 180 Thomas Street Sydney NSW 2000 being the *Executive Manager, Business Growth* of the Applicant, TransGrid Services Pty Limited (ACN 626 136 865) as Trustee for TransGrid Services Trust (ABN 94 121 353 950).

Hereby DECLARE

that the information contained in this application, and attachments thereto upon which I have placed my signature, for the grant of a Electricity Transmission licence under the Electricity Industry Act 2000 is true and correct and that I make this declaration conscientiously believing the same to be true and in the belief that a person making a false declaration is liable to the penalties of perjury.¹

Declared at SYDNEY in the State of New South Wales.

Signature of Declarant

[Redacted Signature]

This day of *24th* day of *September* 2019

[Redacted Signature]

David Fayyad

Before me *GENERAL COUNSEL*
(A person authorised by section 107A of the Evidence Act 1958 (Vic))

¹ Refer to section 107 of the Evidence Act