

MINISTER FOR INDUSTRY, RESOURCES AND ENERGY

TRANSMISSION OPERATOR'S LICENCE UNDER THE *ELECTRICITY SUPPLY ACT 1995* (NSW)

granted to

NSW Electricity Networks Operations Pty Limited (ACN 609 169 959) as trustee for the NSW Electricity Networks Operations Trust

Dated: **7 DEC 2015**

Licence to operate a transmission system that is a transacted transmission system under the *Electricity Network Assets (Authorised Transactions) Act 2015* effective on completion (which is as designated by the Completion Order made by the Treasurer of the State of New South Wales under the *Electricity Network Assets (Authorised Transactions) Act 2015*).

*Note: the date of completion was designated to be: **16 DEC 2015**

BY

The Hon. Anthony Roberts, Minister for Industry, Resources and Energy ("The Minister")

TO

NSW Electricity Networks Operations Pty Limited (ACN 609 169 959) as trustee for the NSW Electricity Networks Operations Trust ("Licence Holder")

The Minister has determined to grant a transmission operator's licence under section 93A of the *Electricity Supply Act 1995* (NSW) in respect of the transacted transmission system operated by the Licence Holder on the conditions set out in the schedule to this licence and any conditions imposed by the *Electricity Supply Act* (NSW) and any regulations under that Act.

SIGNED by:



THE HON. ANTHONY ROBERTS

Minister for Industry, Resources and Energy

SCHEDULE OF MINISTERIALLY IMPOSED LICENCE CONDITIONS FOR THE OPERATOR OF A TRANSACTED TRANSMISSION SYSTEM

This schedule provides a list of conditions which the *Minister* has determined to impose pursuant to clause 6(1)(b) of Schedule 2 of the *Electricity Supply Act 1995* (the **Act**) on the operator of a *transacted transmission system* under the *Electricity Network Assets (Authorised Transactions) Act 2015*.

In addition to ministerially-imposed conditions, licensees are subject to obligations imposed by the *Act*, *Regulations* and associated regulatory instruments which include (without limitation) an obligation to comply with requirements imposed by or under regulations made pursuant to section 111A of the *Environmental Planning and Assessment Act 1979*.

GENERAL CONDITIONS

1 National Electricity Market registration

At all times this *Licence* is in force, the *Licence Holder* must ensure that it and all other network operators of its *transmission system*:

- (a) are registered or exempt from the requirement to be registered as a Network Service Provider under the National Electricity Rules; or
- (b) hold any equivalent authorisation or right of participation in any national electricity market, granted by the person responsible for the granting of such an authorisation or right of participation under any legislation enacted for the purpose of introducing such a market.

2 Technical and prudential criteria

The *Licence Holder* must, for the duration of this *Licence*, ensure that it and all other network operators of its *transmission system* satisfy the technical and prudential criteria that each entity is required to meet as a condition of its registration or exemption, or equivalent authorisation or right of participation in any national electricity market, referred to in condition 1.

3 Reliability and performance standards

- (a) The *Licence Holder* must ensure that it and all other network operators of its *transmission system* comply with any reliability and performance standards issued by the *Minister* for the *transmission system*.
- (b) If no reliability and performance standards have been issued by the *Minister*, the *Licence Holder* must operate its *transmission system* to meet the reliability and performance standards which were developed and applied by the network operator of the *transmission system* in response to the Transmission Network Design and Reliability Standard for NSW dated December 2010, notified to TransGrid by the Director General of NSW Industry and Investment on 23 December 2010.

4 Annual Demand Forecasts

- (a) The *Licence Holder* must submit its *Annual Demand Forecasts* to AEMO in sufficient time to enable AEMO to consider and provide comments in relation to the forecasts and for the *Licence Holder* to consider those comments prior to finalisation of the *Annual Demand Forecast*.
- (b) In this condition, the **Annual Demand Forecast** means the annual demand forecast prepared as part of the Annual Transmission Planning Review, required under clause 5.12 of the National Electricity Rules or any equivalent or replacement requirements.

5 Business continuity and disruptions

- 5.1 The *Licence Holder* must have a documented system to ensure that it has adequate arrangements in place to identify, assess and manage business continuity risks and manage business disruptions relating to the operation of its *transmission system* (a **Business Continuity Plan**).
- 5.2 The *Licence Holder* must ensure that it and any other network operator of its *transmission system* implements and complies with the *Business Continuity Plan*.

CRITICAL INFRASTRUCTURE LICENCE CONDITIONS

For the purposes of conditions 6, 7 and 8 of this Licence, it is acknowledged that the assets which the Licence Holder operates may constitute "critical infrastructure" being those physical facilities, supply chains, information technologies and communication networks which, if destroyed, degraded or rendered unavailable for an extended period, would significantly impact on the security, social or economic wellbeing of the State of New South Wales and other States and Territories which are from time to time electrically interconnected with New South Wales and other States and Territories. These licence conditions will be reviewed by the Minister from time to time (and where necessary) in consultation with responsible Ministers of the Commonwealth and relevant States and Territories.

6 Substantial presence in Australia

- 6.1 The *Licence Holder* must ensure:
 - (a) the maintenance of its *transmission system* is undertaken solely from within Australia, other than where such maintenance is not capable of being undertaken within Australia on reasonable commercial terms and conditions; and
 - (b) the operation and control of its *transmission system* is capable of being undertaken only from within Australia.
- 6.2 The *Licence Holder* must:
 - (a) have at least two directors who are Australian citizens; and
 - (b) have senior officers responsible for (notwithstanding their title):
 - (i) operational technology; and
 - (ii) network operations,in relation to its *transmission system* who are persons residing in Australia and holding or possessing an ability to hold an appropriate national security clearance, being a clearance of not less than Negative Vetting Level 1 (or equivalent) issued by the NSW

Government on advice from the Australian Government Security Vetting Agency (AGSVA).

Note: For the purposes of Licence condition 6.2(b):

The senior officer responsible for operational technology is the officer whose responsibilities include :

- Delivering the Supervisory Control and Data Acquisition (SCADA) capability required to safely and reliably operate the NSW transmission system;
- Developing and implementing strategies to manage cyber security and other threats affecting the network operational technology environment; and
- Developing systems for effectively managing assets remotely, including but not limited to network switches, condition monitoring and remote interrogation or operation of protection systems and relays; and

The senior officer responsible for network operations, is the officer whose responsibilities include:

- The day to day operation and monitoring of the transmission system; and
- Directing the operational planning, management, control and security of the transmission system.

6.3 The Licence Holder is not in breach of its obligations under:

- (a) condition 6.2(a) if, in the case of a casual vacancy on the board of directors, the vacancy is filled within two months of the casual vacancy first occurring;
- (b) condition 6.2(b) if:
 - (i) following the first issue of these conditions to the Licence Holder; or
 - (ii) either position identified in condition 6.2(b) being vacated or the relevant person ceasing to satisfy the qualifications set out there for any reason, the Licence Holder:
 - (iii) procures the appointment of a person to the relevant position that the Licence Holder bona fide believes will be able to obtain the required security clearance; and
 - (iv) has procured that the person apply for the required security clearance.

6.4 The exception in condition 6.3(b) ceases to apply to the Licence Holder if:

- (a) an appointment and application for national security clearance for the person is not made within 4 months of (as relevant) the first issue of these conditions or the relevant vacancy or disqualification occurring; or
- (b) if the application referred to in condition 6.4(a) is made and is rejected or withdrawn, the Licence Holder does not procure a replacement application being made within 4 months of that rejection or withdrawal; or
- (c) the Licence Holder does not procure compliance with condition 6.2(b) in any event with respect to any position within 8 months (or such longer period as approved in writing by

the *Minister*) of (as relevant) the first issue of these conditions or the relevant vacancy occurring.

7 Data security

7.1 The *Licence Holder* must ensure that all:

- (a) data as to the quantum of electricity delivered (both historical and current load demand) from or to any one or more sites (or their connection points); and
- (b) personal information within the meaning of the *Privacy Act 1988* (Cth),

relating to or obtained in connection with the operation of the *transmission system* by a *Relevant Person* is held solely within Australia, and is accessible only by a *Relevant Person* or a person who has been authorised by the *Licence Holder* and only from within Australia.

7.2 The *Licence Holder* is not in breach of its obligations under condition 7.1(a) if the *Licence Holder* discloses, or the *Licence Holder* discloses to a *Relevant Person* so that that *Relevant Person* may disclose:

- (a) to a recognised stock exchange so that such information is made available publically in compliance with a binding obligation on the part of the *Licence Holder* or that *Associate* to do so;
- (b) in compliance with any law of the Commonwealth of Australia, or of any of its States and Territories;
- (c) to the financial, accounting, insurance, legal, regulatory and other advisers, auditors, insurers, security trustees and financiers (and each of their advisers) of the *Licence Holder*, any *Associate*, and any bona fide prospective purchaser of any interest in, or of any interest in the main undertaking of, the *Licence Holder* or any *Associate*, but in each case only to the extent necessary in order for those persons to provide the advisory or other services bona fide required of them;
- (d) aggregated data which does not permit identification of sites or groups of sites (or their connection points) or their demand characteristics; and
- (e) in such other circumstances as approved in writing by the *Tribunal*.

7.3 The *Licence Holder* is not in breach of its obligations under condition 7.1(b) if a *Relevant Person* or a person authorised to access the information by the *Licence Holder* uses or discloses personal information as permitted by the *Privacy Act 1988* (Cth).

8 Compliance with critical infrastructure provisions

- 8.1 On 31 August each year, or such other date specified by the *Tribunal*, the *Licence Holder* must furnish a report to the *Tribunal* detailing whether the *Licence Holder* has complied with conditions 6 and 7 over the preceding financial year to 30 June.
- 8.2 The report required under condition 8.1 must be audited by an *Approved Critical Infrastructure Auditor* by a date specified by the *Tribunal*. The audit required by this condition 8.2 must be a comprehensive audit and must meet any requirements specified by the *Tribunal*.
- 8.3 The report required under condition 8.1 must be accompanied by a certification in writing supported by a resolution of the Board of the *Licence Holder* that, with respect to the relevant period:
- (a) the *Licence Holder* has complied with conditions 6 and 7; or
 - (b) the *Licence Holder* has not complied with conditions 6 or 7, and certifying the nature and extent of each non-compliance and the steps taken by the *Licence Holder* to ensure compliance (and to preclude further non-compliance) and the timeframe within which it expects to achieve compliance.

CONDITIONS RELATING TO MANAGEMENT SYSTEMS

9 Maintenance of certified management systems

- 9.1 The *Licence Holder* must have and maintain:
- (a) an asset management system that is consistent with the International Standard ISO 55001 Asset Management System – Requirements; and
 - (b) an environmental management system that is consistent with International Standard ISO 14001 Environmental Management.
- 9.2 The *Licence Holder* must ensure that:
- (a) its asset management system is certified by an appropriately qualified person to be consistent with International Standard ISO 55001 Asset Management System – Requirements; and
 - (b) its environmental management system is certified by an appropriately qualified person to be consistent with International Standard ISO 14001 Environmental Management; and
 - (c) once its asset management system and environmental management systems are each certified, that certification is maintained for the duration of the *Licence*.
- 9.3 The *Licence Holder* must notify the *Tribunal*, in accordance with the *Reporting Manual*, of any significant changes it proposes to make to its asset management system or environmental management system.

10 Implementation of management systems

The *Licence Holder* must ensure that its asset management system and environmental management system are fully implemented and all relevant activities undertaken by it or any other network operator of its *transmission system* are carried out in accordance with the relevant management system.

CONDITIONS RELATING TO COMPLIANCE, REPORTING AND FEES

11 Reporting in accordance with Reporting Manuals

The *Licence Holder* must prepare and submit reports in accordance with any *Reporting Manuals* issued by the *Tribunal*.

12 Complying with Audit Guidelines issued by the Tribunal

The *Licence Holder* must comply with any *Audit Guidelines* issued by the *Tribunal*.

13 Compliance management systems

The *Licence Holder* must ensure internal systems are developed and maintained that are capable of effectively managing compliance with its *Licence*.

14 Compliance with statistical operating obligations

The *Licence Holder* must provide to the *Tribunal* such operating and statistics and performance indicators as may be required from time to time by the *Tribunal*. The *Tribunal* will provide the *Licence Holder* with reasons for its request when the initial request is made and after that when a request relates to operating statistics and performance indicators that are of materially different type or category to that provided under the initial or subsequent request.

15 Information about compliance with Licence Conditions

The *Licence Holder* must furnish to the *Tribunal* (at such times and in respect of such periods as the *Tribunal* may determine and in the manner and form specified by the *Tribunal*) such information as the *Tribunal* may determine, to enable the *Tribunal* to ascertain whether or not the *Licence Holder* is complying with these *Licence* conditions, the *Act* or the *Regulations*.

16 Information about compliance with Employment Guarantees

The *Licence Holder* must furnish to the *Tribunal* (at such times and in respect of such periods as the *Tribunal* may determine and in the manner and form specified by the *Tribunal*) such information as the *Tribunal* may determine, to enable the *Tribunal* to ascertain whether or not the *Licence Holder* is complying with the 'Employment Guarantees' set out in Schedule 4 to the *Electricity Network Assets (Authorised Transactions) Act 2015*.

17 Licence fees

- 17.1 It is a condition of this *Licence* that the *Licence Holder* pay such fees (annual or otherwise) in connection with the holding of the *Licence* as may be determined by the *Minister* from time to time.
- 17.2 The *Licence Holder* must pay the fees referred to in condition 17.1 in the manner and within the period specified by the *Tribunal*.

INTERPRETATION AND DEFINITIONS

Interpretation

In these *Licence* conditions, unless the context requires otherwise:

- (a) the singular includes the plural and vice versa;
- (b) headings are used for convenience only and do not affect the interpretation of these *Licence* conditions;
- (c) a reference to a documents includes the document as modified from time to time and any document replacing it;
- (d) the word "person" includes a natural person and any body or entity whether incorporated or not;
- (e) references to conditions are references to conditions in these *Licence* conditions.

Definitions

Expressions used in these *Licence* conditions that are defined in the *Act* or the *Regulations* have the meanings set out in the *Act* or the *Regulations*.

In these *Licence* conditions:

AEMO	means the Australian Energy Market Operator
Act	means the <i>Electricity Supply Act 1995</i> .
Approved Auditor	means a person chosen from a panel of auditors approved by the <i>Tribunal</i> or an auditor otherwise approved by the <i>Tribunal</i> as being of reputable standing, suitability qualified and who is independent of the <i>Licence Holder</i> .
Approved Critical Infrastructure Auditor	means an <i>Approved Auditor</i> who has been further approved by the <i>Tribunal</i> as having the necessary experience and expertise in system security or has otherwise demonstrated the capability to audit compliance with the critical infrastructure licence conditions (being conditions 6 and 7).
Associate	has the meaning given to that term in the <i>Corporations Act 2001</i> (Cth).
Audit Guidelines	means any document setting out audit requirements for <i>Licence Holders</i> which is prepared by the <i>Tribunal</i> and is available on its website at www.ipart.nsw.gov.au as amended from time to time.
Business Continuity Plan	has the meaning given to it condition 5.1.
Licence	means the transmission operator's licence authorising the <i>Licence Holder</i> to operate its <i>transmission system</i> .

Licence Holder	means a person who is the holder of a <i>Licence</i> .
Minister	means the <i>Minister</i> responsible for administering the <i>Act</i> .
Regulations	means regulations made under the <i>Act</i> .
Relevant Person	means the <i>Licence Holder</i> , any other network operator of the <i>transmission system</i> and any <i>Associate</i> of those persons.
Reporting Manual	means any document setting out reporting requirements for <i>Licence Holders</i> which is prepared by the <i>Tribunal</i> and is available on its website at www.ipart.nsw.gov.au as amended from time to time.
transacted transmission system	means a transacted transmission system under the <i>Electricity Network Assets (Authorised Transactions) Act 2015</i> .
transmission system	means the transmission system of which the <i>Licence Holder</i> is a network operator.
Tribunal	means the Independent Pricing and Regulatory Tribunal of New South Wales established under the <i>Independent Pricing and Regulatory Tribunal Act 1992</i> .