

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

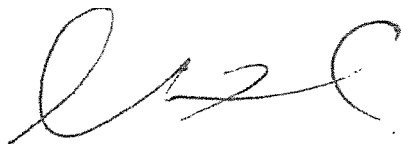
The Hon. Anthony Roberts, Minister for Industry, Resources and Energy ("The Minister")

TO

NSW Electricity Networks Operations Pty Limited (ACN 609 69 959) 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

The *Licence Holder* must ensure that it and all other network operators of its *transmission system* comply with the *Reliability and Performance Standard*.

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. According to its own legislation and policy, the Commonwealth may require a Licence Holder to agree to certain arrangements. The Licence Holder should also establish procedures for national security threat sharing with the Critical Infrastructure Centre and action received information on a good-faith basis.

6 Substantial presence in Australia

- 6.1 Except to the extent allowed for under the *Protocol* agreed with the *Commonwealth Representative*, the *Licence Holder* must take all practical and reasonable steps to ensure:
 - a) the maintenance of its *transmission system* is undertaken solely from within Australia, except where maintenance requires either physical servicing of components offshore or the acquisition of replacement components from outside Australia. In such an instance, it is the responsibility of the senior officer responsible for network operations to ensure this maintenance does not impact condition 6.2; and
 - b) that any third party or non-*Licence Holder* employee, including individuals/entities from outside Australia, undertaking maintenance of the *transmission system* is subject to the approval of the senior officer responsible for network operations.
- 6.2 Except to the extent that the *Licence Holder* is undertaking steps in accordance with, and for the duration of, a *Transition Plan* and/or a *Protocol* agreed with the *Commonwealth Representative*, the *Licence Holder*:
 - (a) must, by using best industry practice for electricity network control systems, ensure that operation and control of its *transmission system*, including all associated ICT infrastructure,

can be accessed, operated and controlled only from within Australia, and that its *transmission system* is not connected to any other infrastructure or network which could enable it to be controlled or operated by persons outside Australia;

- (b) must notify the *Commonwealth Representative* in advance of any engagement with the market to procure a contract under which it outsources the operation and control of its *transmission system*, including any ICT infrastructure associated with the operation and control of its *transmission system*.

Note: For the purposes of Licence condition 6.2 (a);

Best industry practice includes access required by relevant Australian regulators and market and system operators to meet the Licence Holder's obligations under Australian law.

6.3 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;
 - (ii) network operations; and
 - (iii) security operations
- in relation to its *transmission system*,

who are persons residing in Australia and 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 6.3 (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, monitoring and maintenance of the transmission system; and*
- *Directing the operational planning, management, control and security of the transmission system.*

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

- *Approval for the Licence Holder's personnel or other nominated personnel to access the Licence Holder's information systems or physical access to the Licence Holder's premises and associated infrastructure;*
- *Personnel security; and*
- *Managing relationships with Commonwealth and state government agencies.*

Note: *The above responsibilities may be held by a single officer or shared between more than one officer. Where the responsibilities are shared between more than one officer, the relevant senior officer responsibility contemplated in condition 6.1(a) is the joint responsibility of the multiple officers and the approval contemplated in condition 6.1(b) must be obtained from each of those officers.*

- 6.4 The *Licence Holder* is not in breach of its obligations under:
- a) condition 6.3(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 6.3 if:
 - (i) following the first issue of these conditions to the *Licence Holder*; or
 - (ii) any position identified in condition 6.3 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.
- 6.5 The exception in condition 6.4(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 6.5(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 6.3(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:
- (a) all of its information (being design specifications, operating manuals and the like) as to the operational technology (such as the SCADA system) and associated ICT infrastructure of the operational network is held solely within Australia, and that such information is accessible only by a *Relevant Person* who has been authorised by the *Licence Holder* and only from within Australia;
 - (b) all:
 - (i) *Load Data*; and
 - (ii) *Bulk Personal Data Records*,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
 - (c) it does not export, and has appropriate security controls in place to prevent the export, of *Bulk Personal Data Records* relating to or obtained in connection with the operation of the *transmission system* by a *Relevant Person*, outside of Australia.

- 7.2 The *Licence Holder* is not in breach of its obligations under conditions 7.1(a), 7.1(b)(i) or 6.5(c) if the *Licence Holder* discloses, holds, uses or accesses any information or data referred to in those conditions, or the *Licence Holder* allows a *Relevant Person* approved by the senior officer referred to in condition 6.3(b)(i) to disclose, hold, use or access any information or data referred to in those conditions for the purposes of:
- a) disclosure to a recognised stock exchange so that such information is made available publicly in compliance with a binding obligation on the part of the *Licence Holder* or an *Associate* to do so;
 - b) complying with any law of the Commonwealth of Australia, or of any of its States and Territories;
 - c) disclosure 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) disclosure to participants, regulators and service providers in the electricity sector, provided it is in the ordinary course of business and in accordance with good electricity industry practice, and such information is required by those persons to provide the services or to perform the functions bona fide required of them;
 - e) providing aggregated data which does not permit identification of any particular customer or customer's connection points or their demand characteristics;
 - f) allowing a service provider or contractor to hold, use or access information where that arrangement is approved by the Minister, in the case of arrangements approved as of the first issue of this *Licence*, and otherwise where the *Licence Holder* has provided the *Commonwealth Representative* with a submission demonstrating that:
 - (i) the service provider or contractor is reputable; and
 - (ii) the service provider or contractor has data security systems in place to ensure information security is maintained;and has obtained the written agreement of the *Commonwealth Representative* for the arrangement.
 - g) allowing a service provider or contractor who is a provider to the *Licence Holder* at the date of this *Licence* to hold, use or access information where the *Licence Holder* is at the relevant time undertaking the steps that are required to be undertaken as set out in an *Approved Plan* (and for the duration of the period set out in that *Plan*) related to that service provider or contractor, provided that the *Licence Holder* has provided the *Approved Plan* to the *Tribunal*,
 - h) such other circumstances as approved by the *Tribunal* in writing. Prior to seeking approval from the *Tribunal*, the *Licence Holder* must provide the *Commonwealth Representative* with a reasonable opportunity within a period not ending less than 60 calendar days, to confirm in writing to the *Tribunal* that the Commonwealth does not intend to make any further requests or submissions in relation to the matter.
- 7.3 The *Licence Holder* is not in breach of its obligations under condition 7.1(b)(ii) if a *Relevant Person* or a person authorised to access the information by the *Licence Holder* discloses, holds, uses or accesses personal information in accordance with the *Privacy Act 1988* (Cth).

8 Compliance with critical infrastructure provisions

- 8.1 By 30 September each year the *Licence Holder* must furnish a report to the *Tribunal* and the *Commonwealth Representative* 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*. The *Licence Holder* must provide the audited report to the *Commonwealth Representative* at the same time that the report is provided to the *Tribunal*.
- 8.3 The *Tribunal* may provide guidance to the *Approved Critical Infrastructure Auditor* as to the *Licence Holder's* practices that have satisfied or will satisfy conditions 6 and 7
- 8.4 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 and 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 document 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 Plan	means a plan of the type described under condition 7.2(g), that is required by the Commonwealth, and which provides approval for a service provider or contractor to the <i>Licence Holder</i> in respect of holding, accessing or using specified information. Such a plan is to be agreed to in writing by the <i>Commonwealth Representative</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 to the <i>Tribunal's</i> satisfaction the capability to audit compliance with the critical infrastructure licence conditions (being conditions 6, 7 and 8).
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.
Bulk Personal Data Records	means any holdings or files of personal information (within the meaning of the <i>Privacy Act 1988</i> (Cth)) about multiple individuals which contain fields or categories.
Business Continuity Plan	has the meaning given to it condition 5.1.
Commonwealth Representative	means the First Assistant Secretary, with responsibility for Critical Infrastructure Security within the Commonwealth or equivalent level in a subsequent agency with responsibility for Critical Infrastructure Security. <i>Note: At the time of varying this licence, the Commonwealth Representative is the First Assistant Secretary responsible for the Critical Infrastructure Centre within the Commonwealth Attorney-General's Department.</i>
First issue of conditions or first issue of this Licence	Refers to the date of the first issue of this <i>Licence</i> being 16 December 2015.
Foreign Person	has the meaning given to that term in the <i>Foreign Acquisitions and Takeovers Act 1975</i> (C'th)
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> .
Load Data	means 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) which satisfies each of the following criteria: <ul style="list-style-type: none"> i. it is not historical load data older than 30 days; ii. it is not fault data; iii. it describes a location that allows a customer(s) or connection point(s) to be identified; iv. it describes the date and time of the data record; v. it describes a magnitude which comprises a voltage of at least 330 kV and power of at least one Terawatt hour; and vi. it describes a duration – a length of time that allows for a quantum to exist.
Minister	means the <i>Minister</i> responsible for administering the <i>Act</i> .
Protocol	means a document of the type referred to in conditions 6.1 and 6.2, that is required by the Commonwealth and which must be agreed to between the <i>Commonwealth Representative</i> and the <i>Licence Holder</i> , the document may set out (among other things) the: <ul style="list-style-type: none"> i. specified purposes for which maintenance of transmission system equipment may be conducted offshore and the circumstances in which it may be conducted offshore; ii. methodology and activities to be undertaken to allow for maintenance and repairs of transmission system equipment to be carried out involving remote access from offshore; iii. the exceptional circumstances in which the <i>Protocol</i> applies; and iv. activities and processes which achieve requisite levels of cyber-security.
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 person who is contracted or subcontracted by the <i>Licence Holder</i> to work on the <i>transmission system</i> .
Reliability and Performance Standard	In condition 3, means the <i>NSW Electricity Transmission Reliability and Performance Standard 2017</i> , signed by the Minister on 1 June 2017, as amended or replaced from time to time.
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> .
Transition Plan	means a plan of the type described under condition 6.2, that is required by the Commonwealth, and which describes the existing practices of the <i>Licence Holder</i> which do not comply with condition 6.2 and the planned actions and timeframes to move to compliance. Such a plan is to be agreed to in writing by the <i>Commonwealth Representative</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> .