



Tender Policy

**CitiPower and Powercor contestability of connection
and augmentation guideline**

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1. CitiPower and Powercor

CitiPower and Powercor operate under distribution licences issued by the Essential Services Commission of Victoria (ESC). The combined networks cover about 145,808 square kilometres and distribute electricity to approximately 1.3 million customers across the central business district and inner suburbs (for CitiPower) and outer western suburbs, and central and western Victoria (for Powercor).

2. Policy objectives

Our tender policy aims to provide our customers with choice, ensure the safety and reliability of network and comply with the regulatory requirements related to contestable works.

Part One of this policy sets out our tender policy and process for augmentations to our distribution network, and will be relevant for most of our distribution Customers. Part Two of this policy sets out the Powercor only tender policy and process for augmentations to the Victorian declared transmission system that we initiate, including for the purpose of connecting Customers to our distribution networks, and will likely only be relevant for our larger distribution customers.

This policy document is a guide only. Customers should engage with us to confirm the eligibility of their works to be tendered or delivered as contestable services.

Metering contestability is beyond the scope of this policy.

Part One: augmentations to our distribution network 3.

Tender policy

3.1 Our policy

Under clause 5.2 of the ESC's *Electricity Distribution Code of Practice (EDCOP)* electricity distributors, are required to provide customers with tender options if they propose to augment their distribution network in providing a connection service, undergrounding (or similar services) and/or public lighting request. These tender options may include the calling of tenders by the customer or calling of tenders by the distributor at the customer's request.

In keeping with our objective to inform customers of their rights regarding access to the distribution system, our connection offers include the price for connection and augmentation works and a number of contestability or tender options.

We are not obliged to call tenders if the customer notifies us in writing that they do not want to exercise their option to call tenders. We are not obliged to call tenders for design services.

Works that are deemed to be eligible for tenders are referred to as *contestable services*. We employ a risk-based approach in determining which types of work can be deemed contestable services. Contestable services are generally limited to certain types of work such as residential greenfield sites, some civil works, and public lighting installation in certain cases.

Some works can only be performed by us due to reasons including safety, customer impact, network complexity, outage and switching implications or complexity of network planning. These works are referred to as *non-contestable services*.

3.2 Eligible works

In most instances, contestable and non-contestable work consist of the components defined in Table 1. This delineation is provided as general information only. We should be engaged for any individual projects to be assessed.

Table 1: Contestable and non-contestable services

| Non-contestable services | Contestable services |
|--|---|
| Any planning, design or construction related to existing assets. | Design and construction of electrical and public lighting assets for new residential subdivisions. Note the field audit, design audit and tie-in services are not contestable. |
| Due diligence activities (including design reviews, approval to construct or commission, and acceptance of handover of completed works). | Project management services for design and construction of electric and public lighting assets for new residential subdivisions and new privately-owned and operated electrical assets. |
| Design and construction of public lighting installations utilising or interacting with existing utility assets (including provision of all materials, network tie-in and as constructed plans). In circumstances where our works are within the boundary of another authority with active construction works (e.g. Vic Roads) portions of the works (for example civil excavation and conduit installation) may be deemed contestable as part of the overall project. | Civil construction works associated with new and modified underground assets where the customer is already undertaking civil works in the vicinity and we agree it is practical for the customer to include our civil works within its scope, even if the associated electrical works are deemed non-contestable. |

| Non-contestable services | Contestable services |
|--|----------------------|
| However, these works would be subject to audit and inspection to CitiPower and Powercor standards. | |
| <p>Installation of a new zone substation or switching station (including feeder exits and secondary systems) and installation of new sub-transmission assets (at either 66, 22 or 11 kV).</p> <p>High & Low Voltage Network Extensions in public land, not related to new urban residential estate developments.</p> | |
| | |
| High voltage and low voltage network access planning & updating utility systems (such as GIS). | |
| Basic connections, supply abolishments and supply alterations. | |

3.3 Delivery options

On receipt of an electricity supply request, we will prepare an offer that includes both contestable and non-contestable works unless a written request to provide tender options is submitted.

On receipt of a request for tender options, we will advise which of the following options apply to the request, and ask the customer which option it wishes to pursue. Contestability options include:

1. The customer waives the right to tender and requests us to proceed with the design and construction work as per the connection offer. We will arrange for all the work, both contestable and non-contestable, to be completed.
2. The customer requests us to undertake the contestable design and call a tender on the customer's behalf for the contestable construction works. The customer nominates which service providers, accredited by us, are included in the tender, selects the successful tenderer and enters into a contract with the service provider.
3. The customer requests us to undertake the contestable design and the customer calls a tender for the contestable construction works utilising service providers approved by us.
4. The customer chooses to call tenders and undertake both the contestable design and construction of the project utilising service providers approved by us.

It should be noted that under options 2, 3 and 4 the customer accepts full responsibility and liability for its selected service providers and the contestable services these providers deliver. This includes indemnifying CitiPower and Powercor. The customer is required to enter into a standard form contestable works contract with us and, in doing so, accepts responsibility for ensuring that all works undertaken are:

- delivered in accordance with CitiPower and Powercor's contestable management processes
- completed to CitiPower and Powercor's required standards (including the use of approved materials) and reasonable satisfaction
- delivered by service providers approved by CitiPower and Powercor to deliver the specific contestable services
- audited in compliance with CitiPower and Powercor's requirements
- subject to rectification in accordance with defects liability requirements and warranty cover.

Whether Citipower or Powercor are chosen to undertake the works or the customer chooses to seek tenders and undertake the works themselves, we are still required to complete a number of tasks which are non-contestable services. These generally include due diligence activities (such as design approvals and field audits) and updating our systems and drawings. Non-contestable elements of the works are charged an ancillary network services fee which is charged upfront and calculated on a per project basis to reflect our estimate of the required hours to undertake the work. Additional fees will be charged through the course of a project if we are required to repeat activities in response to customer re-submissions.

4. Our tender process

4.1 Tender process

The following section relates only to option 2 as defined in section 3.3. For options 3 and 4 the customer manages its own tender process

4.1.1 Tender issue

We will call a selective tender within 20 business days from the latter of the following conditions:

- the design has been completed
- the customer has confirmed which accredited contractors it would like included in the selective tender
- the customer has provided appropriate terms and conditions for us to include in the tender package
- the customer has entered into a contract with us and we have received upfront payment for the effort required to manage the tender process.

Note that before the tender is issued, the customer is required to review and approve the tender documents prepared by us.

The tender period will be a minimum of 10 business days.

4.1.2 Tender review & recommendation

Tender submissions will be reviewed by us against the following criteria:

- technical merit
- delivery methodology
- commercial merit
- health and safety compliance.

We will review the tender submissions and make a recommendation to the customer within 20 business days of the tender close. The successful contractor is selected by the customer.

Where no bids are received or bids are not competitive, we will refer the process to the customer to consider other alternatives.

4.1.3 Post tender – contract award

We will handover all tender documents to the customer so the customer can proceed with engaging its preferred contractor. The customer will be required to enter into a contestable works contract with us, pay the upfront quoted ancillary network services fee, and deliver the contestable services in accordance with our contestable management processes.

4.2 Pre-conditions for contractors wishing to tender

Contestable services can only be undertaken by appropriately accredited service providers.

Contractors wishing to be considered for contestable works will need to submit themselves for accreditation by us. Permits to access the distribution system will not be issued to contractors who are not accredited by us.

The accreditation process requires the contractor to demonstrate it:

- has a proven experience in electrical distribution works (including compliance with relevant industry requirements)
- holds appropriate levels of insurance coverage
- meets our indemnity requirements.

Enquiries regarding accreditation should be directed to us via email at contestable@powercor.com.au.

5. Completing the works

5.1 Contestable works contract

Where a customer chooses tender options 1, 2, or 2B as defined in section 3.3 and assumes responsibility for the completion of the contestable works, the customer is required to enter into a standard form contestable works contract with us.

Our contestable works contract sets out our requirements including:

- compliance with our contestable works management processes
- the standard and quality of work and materials to be used
- warranties to be provided by the customer in relation to post-commissioning defects and faults
- an indemnity in our favour against loss (for example, service target performance incentive scheme (STPIS) associated with a customer supply outage).

5.2 Contracting the works

Choosing option 2, 3 or 4 as defined in section 3.3 will result in the customer directly engaging contractors and managing the works. The scope of work will be based on our design (or our approved design in the case of contestable design works), material specification and technical performance standards. The customer shall ensure the project is delivered in accordance with our contestable works management process. Details of this process are available upon request and are subject to change from time to time.

6. Special circumstances

Customers without access to the full range of contract and project management services may request us to provide the project management services for a fee.

Alternatively, we can assist customers in sourcing alternative project management consultants.

7. Fees and charges

Whether we are chosen to undertake the works or the customer chooses to seek tenders and undertake the works themselves, we are still required to complete a number of tasks which are non-contestable services. These generally include due diligence activities (such as design approvals and audits) and updating our systems and drawings. Non-contestable elements of the works are charged as an upfront quoted service fee calculated on a per project basis to reflect our estimate of the required hours to undertake the work. Additional fees will be charged through the course of a project if we are required to repeat activities in response to customer resubmissions.

For option 2 in section 3.3 we will also charge an upfront project fee calculated on a per project basis to reflect our estimate of the required hours to manage the tender.

A schedule for the quoted services hourly rates used to build these project fees is available on our website. These rates are approved by the Australian Energy Regulator (AER) and are updated on July 1 each year.

3. Our dispute handling procedure

We are committed to providing good customer service to all customers regardless of what contestability and tender options a customer selects. Where a customer is unhappy with the tender or contestable works management process, it is our policy that the issue is first discussed with the project manager overseeing the tender/project.

A customer who is still not satisfied with the handling of their concerns by the project manager is entitled to a further review by our Manager Urban or Rural Program (depending on project details). If this does not resolve concerns senior management will be engaged.

If a dispute is not satisfactorily resolved through senior management intervention the customer has the right to contact the ESC.

4. Contact details

Preliminary enquiries and requests for tender options can be made via email at contestable@powercor.com.au.

Part 2: Augmentations to the transmission system

5. Applicability

Part 2 is only applicable to transmission system augmentations that Powercor initiates for organic growth on or customer connections to its distribution network.

6. Tender policy

All terms within this Part in *italics* have the meaning given to that term in section 2(1) of the National Electricity Law (NEL) and Chapter 10 or clause 8.11 of the National Electricity Rules (NER).

For the purposes of this Part, 'Separable Augmentation' means, in relation to a transmission *connection asset*, an *augmentation* that:

- i. will result in a distinct and definable service to be provided by the contestable provider to the relevant distributor; and
- ii. will not have a material adverse effect on the *incumbent declared transmission system operator's* ability to provide services to AEMO under any relevant *network agreement* or any other person under any relevant existing *connection agreement*.

11.1 Background

As a distributor, we may sometimes seek *augmentations* to the Victorian *declared transmission system*. Distributors typically require *augmentations* to the *declared transmission system* in two circumstances:

1. Customer initiated *augmentation*: where large customers are seeking connection to a distributor's *sub-transmission* or *high voltage distribution network*, e.g. large data centres or renewable generators, and transmission *augmentation* is required to support that connection; or
2. Network initiated *augmentation*: where transmission *augmentation* is required to support organic growth of distribution customers.

Augmentations of this kind may be to either the *declared shared network* or the *connection assets* which, together, comprise the *declared transmission system*. The NEL and the NER govern the construction of *augmentations* to Victoria's *declared shared network* but are silent on who may construct *augmentations* to *connection assets*. This Part of our tender policy sets out our approach to procuring *augmentations* to the Victorian *declared transmission system* (in accordance with applicable requirements of the NEL and the NER), with the aim of ensuring that our customers and the Victorian electricity market benefit from the competitive procurement of these *augmentations*. It commits us to procuring *augmentations* to the *declared shared network* in accordance with the applicable requirements of the NEL and the NER, and to conducting a competitive tender process to determine who will construct Separable Augmentations to the *connection assets* that form part of the *declared transmission system*.

11.2 Our policy

When procuring an *augmentation* to Victoria's *declared transmission system*:

1. If the *augmentation* is to the *declared shared network* but is not a *contestable augmentation*, or is to *connection assets* but is not a Separable Augmentation, the *incumbent declared transmission system operator* will construct the *augmentation*.
2. If the *augmentation* is a *contestable augmentation* to the *declared shared network*, AEMO will conduct a competitive tender process under clause 8.11.7 of the NER to determine who will construct the *augmentation*.
3. If the *augmentation* is a Separable Augmentation to *connection assets*, we will run a competitive tender process to determine who will construct the *augmentation* (**Distributor-led Tender Process**).



11.3 Distributor-led Tender Process

When conducting a Distributor-led Tender Process, we will follow the procedure outlined in section 4.

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