

INSTRUMENT OF VARIATION OF CONDITIONS OF DISTRIBUTOR'S LICENCE
ELECTRICITY SUPPLY ACT 1995 (NSW)

1. Variation of conditions

I, Matthew Kean, Minister for Energy, vary the Licence held by the Licence Holder. This variation (the **Instrument of Variation**) is made under clause 7 of Schedule 2 to the *Electricity Supply Act 1995* (NSW).

2. Commencement

This Instrument of Variation commences on the day this instrument is signed. The schedules to this instrument commence on the dates set out in clause 4.

3. Definition

In this Instrument of Variation:

Licence means the distributor's licence held by the Licence Holder for the purposes of section 14 of the *Electricity Supply Act 1995* (NSW).

Licence Holder means Essential Energy (ABN 37 428 185 226), a statutory State Owned Corporation established under the *Energy Services Corporation Act 1995* (NSW).

Previous Licence Conditions means the conditions of the Licence as in force immediately before the commencement of each schedule to this Instrument of Variation.

4. Variation of licence

(1) The conditions of the Licence are varied:

- (a) from 1 October 2022, as set out in Schedule A; and
- (b) from 1 July 2024, as set out in Schedule B.

(2) Clause 4(1) does not:

- (a) revive anything not in force or existing at the time this Instrument of Variation takes effect;
- (b) affect the previous operation of the Previous Licence Conditions or anything done, or begun under, or in accordance with, the Previous Licence Conditions; or
- (c) affect a right, privilege or liability acquired, accrued or incurred under the Previous Licence Conditions.

Signed:



The Hon Matthew Kean MP
Minister for Energy

Date:

23.9.22

[1] Substituted definitions

In the Definitions, substitute the following definitions:

feeder	means:
	(i) a high-voltage line operating at over 1kV and generally at or below 22 kV that connects between a zone substation and a distribution substation; or
	(ii) lines operating at, or over, 1kV within a <i>multiple-customer SAPS</i> .

[2] New definitions

In the Definitions, insert the following new definitions in alphabetical order:

interconnected national electricity system	has the same meaning as in the <i>National Electricity (NSW) Law</i> .
low-voltage SAPS	means a <i>SAPS</i> but does not include lines operating at, or over, 1kV within a <i>multiple-customer SAPS</i> .
SAPS	means a 'regulated stand-alone power system' as defined at section 6B of the <i>National Electricity (NSW) Law</i> but does not include parts of the <i>distribution system</i> that have been temporarily isolated from the <i>interconnected national electricity system</i> due to an event or circumstance beyond the control of the <i>Licence Holder</i> such as bushfire or flood.
multiple-customer SAPS	means a <i>SAPS</i> that supplies multiple customers.

[3] Definitions to be omitted

In the Definitions, omit the following definitions in their entirety:

CBD Sydney feeder

[4] Network overall reliability standards

In Condition 4 (Network overall reliability standards), insert new condition 4.3:

- 4.3 For the avoidance of doubt, this Condition 4 (Network overall reliability standards) does not apply to *low-voltage SAPS*.

[5] Individual feeder performance

In Condition 5 (Individual feeder performance), immediately after each occurrence of the defined term '*feeder*' (whether in singular or plural form), insert the words '*or low-voltage SAPS*'.

[6] Schedule 3 – Individual feeder standards

In Schedule 3 (Individual feeder standards), remove the table at item 1 and replace it with the following table:

SAIDI (Minutes per <i>customer</i>)	
ESSENTIAL ENERGY	
Standard	Minutes per <i>customer</i>
low-voltage SAPS	1817
urban feeder	400
short rural feeder	1000
long rural feeder	1400

[7] Schedule 3 – Individual feeder standards

In Schedule 3 (Individual feeder standards), remove the table at item 2 and replace it with the following table:

SAIFI (Number per <i>customer</i>)	
ESSENTIAL ENERGY	
Standard	Number per <i>customer</i>
low-voltage SAPS	9.4
urban feeder	6
short rural feeder	8
long rural feeder	10

[1] Condition 4 (Individual feeder performance)

Omit condition 4 (Network overall reliability standards) and substitute:

4 Individual feeder performance

- 4.1 The *individual feeder standards* that apply to each of the *Licence Holder's feeders* for each 12-month period referred to in clause 4.3, other than *long feeders*, are:

$$SAIDI = 262 + 108 \sqrt{Length} + \text{MIN}(160, \frac{5500}{Length})$$

$$SAIFI = 3.1 + 0.44 \sqrt{Length} + \text{MIN}(0.65, \frac{21}{Length})$$

where:

Length is the total route length of the *feeder*, in kilometres; and

MIN is the lower of the values within the brackets.

- 4.2 The *individual feeder standards* that apply to each of the *Licence Holder's long feeders* for each 12-month period referred to in clause 4.3, are:

$$SAIDI = 2688 \text{ minutes}$$

$$SAIFI = 13.0 \text{ interruptions.}$$

- 4.3 At the end of each *quarter*, the *Licence Holder* must determine whether it has exceeded the *individual feeder standards* applicable to each of its *feeders* for the 12-month period ending at the end of that *quarter*.

Note: If the *individual feeder standards* in this condition have been exceeded, certain obligations under condition 5A will apply.

[2] Condition 4A (Low-voltage SAPS performance)

After condition 4 (Individual feeder performance), include new condition 4A (*Low-voltage SAPS performance*):

4A Low-voltage SAPS performance

- 4A.1 The *low-voltage SAPS standards* that apply to each of the *Licence Holder's low-voltage SAPS* for each 12-month period referred to in clause 4A.2, are:

$$SAIDI = 1817 \text{ minutes}$$

$$SAIFI = 9.4 \text{ interruptions.}$$

- 4A.2 At the end of each *quarter*, the *Licence Holder* must determine whether it has exceeded the *low-voltage SAPS standards* applicable to each of its *low-voltage SAPS* for the 12-month period ending at the end of that *quarter*.

4A.3 Where the *low-voltage SAPS* do not meet the *low-voltage SAPS standards* at the point of measurement but deliver the required level of service to the end-customer:

- (a) the *low-voltage SAPS* will be deemed to be compliant with the *low-voltage SAPS standards*;
- (b) despite sub-condition 4A.3(a), an *investigation report* must still be prepared in accordance with condition 5A.

Note: If the *low-voltage SAPS standards* in this condition have been exceeded, certain obligations under condition 5A will apply.

[3] Condition 5 (Direct connection performance)

Omit condition 5 (Individual feeder performance) and substitute:

5 Direct connection performance

5.1 This condition 5 applies to each *Connection point*:

- (a) that is directly supplied at a nominal voltage above 1 kV and generally at or below 22 kV; and
- (b) to which conditions 4 and 4A do not apply.

5.2 The *direct connection standards* that apply to the *Licence Holder* in respect of each *Connection point* are:

Minutes interrupted = 530

Number of interruptions = 4.2

where:

minutes interrupted means the total number of minutes of all *interruptions* to a *customer* over the relevant 12-month period; and

number of interruptions means the total number of times there is an *interruption* to a *customer* over the relevant 12-month period.

5.3 At the end of each *quarter*, the *Licence Holder* must determine whether it has exceeded the *direct connection standards* for each *Connection point* to which this condition 5 applies in the 12-month period ending at the end of that *quarter*.

Note: If the *direct connection standards* in this condition have been exceeded, certain obligations under condition 5A will apply.

[4] Condition 5A (Investigation and rectification of non-conformance standards)

Omit condition 5A (Reliability provided to individual customers) and substitute:

5A Investigation and rectification of non-conformance standards

5A.1

- (a) Where the *Licence Holder* has exceeded any of the *individual feeder standards, low-voltage SAPS standards, or direct connection standards* in the 12-month period immediately preceding the end of a *quarter*, the *Licence Holder* must prepare:
 - (i) an *investigation report* by the end of the *quarter* immediately following the *quarter* the relevant standard was exceeded; and
 - (ii) a *rectification plan* by the end of the *quarter* immediately following the *quarter* in which the *investigation report* was completed.
- (b) Where the cause or causes for exceeding the standard have already been rectified before an *investigation report* is required to be prepared under condition 5A.1(a) above, the *Licence Holder* is not required to prepare a *rectification plan* in respect of that breach of the relevant standard.
- (c) Where sub-condition 4A.3(a) is met, the *Licence Holder* is not required to prepare a *rectification plan* in respect of that breach of the relevant standard.

5A.2 An *investigation report* must:

- (a) identify the cause or causes for exceeding the relevant *individual feeder standard(s), low-voltage SAPS standards, or direct connection standard(s)*;
- (b) where the cause or causes identified in paragraph (a) have already been rectified, identify the steps taken to rectify the causes, including when the steps were completed;
- (c) where the cause or causes identified in paragraph (a) have not yet been rectified or fully rectified, identify any reasonable solutions that can be implemented to rectify the causes to improve conformance with the relevant *individual feeder standard(s), low-voltage SAPS standards, or direct connection standard(s)*, including:
 - (i) whether the solutions:
 - (A) involve expenditure on a distribution asset ('network options'); or
 - (B) do not involve expenditure on a distribution asset ('non-network options'); and
 - (ii) the steps required to implement each solution; and
- (d) in the case of an *investigation report* prepared because the *Licence Holder* has exceeded a *direct connection standard* - consider the terms of the *connection contract* (including network security arrangements) agreed with the *customer* of the affected *Connection point*, including when the *customer* was connected to the *Licence Holder's distribution system*.

5A.3 Subject to condition 5A.4, a *rectification plan* must:

(a) set out:

- (i) the solution(s) selected (unless clause 5A.4 applies such that there is no solution selected) to rectify the cause or causes for exceeding the relevant *individual feeder standard(s)*, *low-voltage SAPS standards* or *direct connection standard(s)*; and
- (ii) the timeframes for completing the steps required to implement the solution(s); and

(b) apply the following principles:

- (i) the solution(s) selected must be subject to a cost-benefit analysis and must demonstrate a positive net benefit;
- (ii) all reasonable steps to improve conformance with the *individual feeder standards*, *low-voltage SAPS standards* or *direct connection standards* should be taken;

Note: a reasonable step does not include a solution that demonstrates a negative net benefit for the purpose of improving conformance with the *individual feeder standards*, *low-voltage SAPS standards* or *direct connection standards*.

- (iii) the timeframe for rectification should be as short as reasonably practicable;
- (iv) implementation of the *rectification plan* must commence no later than six months from the date the *investigation report* is completed; and
- (v) solutions identified in condition 5A.2(c) involving a 'non-network option' are preferred where they are equal or more cost-effective than a network option.

5A.4 For the purposes of condition 5A.3, the *Licence Holder* may decide not to select a solution if there is no solution that demonstrates a positive net benefit following a cost-benefit analysis.

5A.5 Subject to condition 5A.6, if the *Licence Holder* has prepared a *rectification plan*, the *Licence Holder* must implement that *rectification plan*.

5A.6 The *Licence Holder* is not required to implement the *rectification plan* in accordance with condition 5A.5 if:

(a) condition 5A.4 applies such that there is no solution selected; or

(b) the *Licence Holder*:

- (i) demonstrates to the satisfaction of the *Tribunal* that it is reasonable not to implement the *rectification plan*; and
- (ii) has received written confirmation from the *Tribunal* that the *Tribunal* is satisfied that it is reasonable not to implement the *rectification plan*.

5A.7 Where condition 5A.4 applies, the *Licence Holder* must, within one month of that decision, advise the *Tribunal* of the *Licence Holder's* non-conformance with the

relevant *individual feeder standards, low-voltage SAPS standards or direct connection standards.*

[5] Condition 6 (Guaranteed service levels and payments)

Omit condition 6 (Customer service standards) and substitute:

6 Guaranteed service levels and payments

6.1 In this condition 6:

CPI means the consumer price index All Groups index number for the weighted average of eight capital cities, published by the Australian Bureau of Statistics; or, if the Australian Bureau of Statistics does not or ceases to publish the index, then CPI will mean an index determined by the *Tribunal*.

Note: Each *Licence Holder* is required to have a *connection contract* governing the supply of *customer connection services*. The contract is based on model terms, and is formed between a *Licence Holder* and *customer* connecting to the *Licence Holder's distribution system* where the *customer* does not enter into a negotiated contract.

DUOS means distribution use of system service as defined in the National Electricity Rules.

Eligible Customer means a Small Customer who is supplied by the *Licence Holder* under the *Licence Holder's connection contract*.

GSL 1 means, in respect of a *Licence Holder*, the level 1 guaranteed service level in row 1 of the *Licence Holder's* table in condition 6.2.

GSL 1 Payment means:

- (a) for the period 1 July 2024 to 30 June 2025, \$120; and
- (b) for any subsequent *financial year*, \$120 multiplied by the Inflation Multiplier for that *financial year*.

GSL 2 means, in respect of a *Licence Holder*, the level 2 guaranteed service level in row 2 of the *Licence Holder's* table in condition 6.2.

GSL 2 Payment means the annual DUOS fixed charge component of the *Licence Holder's* Tariff for the *financial year* to which the *GSL payment* relates. This charge is often called the 'network access charge'.

Inflation Multiplier means, for a *financial year*, CPI for the March *quarter* of the preceding *financial year* divided by CPI for the March *quarter* of 2024.

Small Customer has the same meaning as in the *National Energy Retail Law (NSW)*.

Tariff means BLNN2AU as contained in the *Licence Holder's* Tariff Structure Statement or such other tariff taken to be the Tariff in accordance with conditions 6.8 and 6.9.

Tariff Structure Statement has the same meaning as in the National Electricity Rules.

6.2 The *guaranteed service levels* that apply to the *Licence Holder* are:

GSL 1	36 hours of <i>interruptions</i> or 20 <i>interruptions</i>
GSL 2	120 hours of <i>interruptions</i> or 50 <i>interruptions</i>

- 6.3 Subject to conditions 6.5, 6.6 and 6.7, if the *Licence Holder* exceeds GSL 1 at the Eligible Customer's premises in a *financial year*, it must pay the Eligible Customer the relevant GSL 1 Payment in accordance with this condition 6.
- 6.4 Subject to conditions 6.5, 6.6 and 6.7, if the *Licence Holder* exceeds GSL 2 at the Eligible Customer's premises in a *financial year*, it must pay the Eligible Customer the relevant GSL 2 Payment in accordance with this condition 6.
- 6.5 An Eligible Customer is only entitled to one GSL 1 Payment and one GSL 2 Payment in a *financial year*.
- 6.6 The *Licence Holder* is only required to make a payment under conditions 6.3 and 6.4 where the Eligible Customer was a *customer* at the premises for all GSL 1 or GSL 2 *interruptions*, as relevant, in the *financial year*.
- 6.7 The *Licence Holder* must take reasonable steps to:
- (a) make a *GSL payment* to an Eligible Customer if the Eligible Customer makes an application for a *GSL payment* within 12 weeks of the end of the *financial year* in which the relevant *GSL* was exceeded; and
 - (b) within 12 weeks of the date of the application, pay an Eligible Customer who makes an application all *GSL payments* that the Eligible Customer is entitled to, despite any deficiency in the form or content of the application made by the Eligible Customer.

Note: Nothing in this condition 6 prevents a *Licence Holder* from voluntarily making a *GSL payment* to an Eligible Customer where the Eligible Customer has not made a valid application, including where an application is deficient or made out of time.

Where the Tariff no longer applies

- 6.8 If the Tariff no longer applies, the *Licence Holder* must:
- (a) notify the *Tribunal* within 10 business days of the AER approving a Tariff Structure Statement that no longer includes the Tariff; and
 - (b) at the same time as it provides the notice under condition 6.8(a), nominate an equivalent tariff to the Tariff.
- 6.9 The tariff nominated under condition 6.8 is taken to be the Tariff unless the *Tribunal* advises the *Licence Holder* within 20 business days that a different tariff is to apply, in which case, that tariff is taken to be the Tariff.

Communication of *GSL payments*

- 6.10 The *Licence Holder* must:
- (a) before the commencement of a *financial year*, publish in an easily accessible location on its website a dollar value estimate of each annual *GSL payment* for that *financial year*;

- (b) take reasonable steps to notify a *customer* that the *Licence Holder* reasonably considers, based on data available to it, is likely to be eligible for a *GSL payment*, of the *customer's* potential entitlement to a *GSL payment* or *GSL payments*, and the process for making an application for a *GSL payment*; and
 - (c) on request from a *customer*, provide written information on the availability of *GSL payments* and how to make an application.
- 6.11 From time to time, the *Tribunal* may require the *Licence Holder* to take additional steps to notify Eligible Customers in relation to *GSL payments*.
- 6.12 The *Licence Holder* must:
- (a) notify an applicant for a *GSL payment* of the outcome of the application in writing within 12 weeks of receiving the application;
 - (b) specify in the notification:
 - (i) if a *GSL payment* is being made, the form and timing of that payment; and
 - (ii) if a *GSL payment* is not being made, the reasons for the decision.

Limitation of GSL payment

- 6.13 A *GSL payment* does not:
- (a) alter or diminish any rights that an Eligible Customer may have against any person under trade practices or other applicable legislation, common law or contract;
 - (b) represent any admission of legal liability by the *Licence Holder*; and
 - (c) alter, vary or exclude the operation of:
 - (i) section 119 of the *National Electricity (NSW) Law*;
 - (ii) sections 316 and 316A of the *National Energy Retail Law (NSW)*; and
 - (iii) any other statutory limitations on liability or immunities applicable to a *Licence Holder*.

[6] Condition 7 (Performance monitoring, reporting and information disclosure)

Omit condition 7 (Performance monitoring and reporting) and substitute:

7 Performance monitoring, reporting and information disclosure

Individual feeder standards report

- 7.1 For each *reporting period* for *individual feeder standards*, the *Licence Holder* must prepare and submit a report to the *Tribunal*. This report must:
- (a) be submitted by the date specified in the *Reporting Manual*, or if no date is specified, within one month of the end of the *reporting period*;

- (b) for each *feeder*:
 - (i) identify whether the feeder is a *short feeder* or a *long feeder*;
 - (ii) state the *individual feeder standards* for the *feeder*, as calculated in accordance with condition 4, for the *reporting period*; and
 - (iii) state the actual *SAIDI* and *SAIFI* performance of the *feeder* for the *reporting period*; and
- (c) in addition to the requirements at condition 7.1(b), for each *feeder* for which an *individual feeder standard* was exceeded in the *reporting period*:
 - (i) state the actual *SAIDI* and *SAIFI* performance of the *feeder* for each *quarter* in which an *individual feeder standard* was exceeded;
 - (ii) state whether an *investigation report* has been prepared for the purpose of condition 5A.1 and, if not, provide the reason why not;
 - (iii) where the *Licence Holder* has taken, or intends to take, rectification action to improve the performance of the *feeder*, specify:
 - (A) the rectification action;
 - (B) the date of completion (or, in the case of rectification action the *Licence Holder* intends to take, the planned date of completion); and
 - (C) whether the rectification action is or involves a non-network option; and
 - (iv) where the *Licence Holder* has, following a cost-benefit analysis in accordance with condition 5A.3, determined not to undertake any further work to improve conformance with the *individual feeder standards*, provide an explanation; and
- (d) include any other matter notified by the *Tribunal* in writing.

Low-voltage SAPS standards report

- 7.2 For each *reporting period* for *low-voltage SAPS standards*, the *Licence Holder* must prepare and submit a report to the *Tribunal*. This report must:
- (a) be submitted by the date specified in the *Reporting Manual*, or if no date is specified, within one month of the end of the *reporting period*;
 - (b) for each *low-voltage SAPS* state the actual *SAIDI* and *SAIFI* performance of the *feeder* for the *reporting period*; and
 - (c) in addition to the requirement at condition 7.2(b), for each *low-voltage SAPS* for which a *low-voltage SAPS standard* was exceeded in the *reporting period*:
 - (i) state the actual *SAIDI* and *SAIFI* performance of the *low-voltage SAPS* for each *quarter* in which a *low-voltage SAPS standard* was exceeded;
 - (ii) state whether an *investigation report* has been prepared for the purpose of condition 5A.1 and, if not, provide the reason why not;

- (iii) where the *Licence Holder* has taken, or intends to take, rectification action to improve the performance of the *low-voltage SAPS*, specify:
 - (D) the rectification action;
 - (E) the date of completion (or, in the case of rectification action the *Licence Holder* intends to take, the planned date of completion); and
 - (F) whether the rectification action is or involves a non-network option; and
- (iv) where the *Licence Holder* has, following a cost-benefit analysis in accordance with condition 5A.3, determined not to undertake any further work to improve conformance with the *low-voltage SAPS standards*, provide an explanation; and
- (d) include any other matter notified by the *Tribunal* in writing.

Direct connection standards report

- 7.3 For each *reporting period* for *direct connection standards*, the *Licence Holder* must prepare and submit a report to the *Tribunal*. This report must:
- (a) be submitted by the date specified in the *Reporting Manual*, or if no date is specified, within one month of the end of the *reporting period*;
 - (b) for each *Connection point* for which a *direct connection standard* was exceeded in the *reporting period*:
 - (i) identify which *direct connection standard* was exceeded (including the minutes interrupted, number of *interruptions*, or both (as relevant)) and in which *quarter*;
 - (ii) state:
 - (A) the total number of minutes from any *interruption* during each *quarter* in which the *direct connection standard* was exceeded;
 - (B) the total number of *interruptions* during each *quarter* in which the *direct connection standard* was exceeded;
 - (iii) state whether an *investigation report* has been prepared for the purpose of condition 5A.1 and, if not, provide the reason why not;
 - (iv) specify, where the *Licence Holder* has taken, or intends to take, rectification action to improve conformance with the *direct connection standards*:
 - (A) the rectification action;
 - (B) the date of completion (or, in the case of intended rectification action, the planned date of completion); and
 - (C) whether the rectification action is or involves a non-network option; and
 - (v) where the *Licence Holder* has, following a cost-benefit analysis in accordance with condition 5A.3, determined not to undertake any

further work to improve conformance with the *direct connection standards*, provide an explanation; and

- (c) include any other matter notified by the *Tribunal* in writing.

Guaranteed service levels

- 7.4 The *Licence Holder* must prepare and submit a report to the *Tribunal*, in accordance with any requirements in the *Reporting Manual*, which sets out the following matters in relation to *guaranteed service levels*:
- (a) the *Licence Holder's* best estimate of the number of *customers* for whom the *Licence Holder* has exceeded the relevant *guaranteed service level* by reference to the type of *small customer* and *guaranteed service level*;
 - (b) the number of applications for *GSL payments* received by the *Licence Holder* by reference to type of *small customer* and *guaranteed service level*;
 - (c) the number of *GSL payments* made by the *Licence Holder* by reference to type of *small customer* and *guaranteed service level*; and
 - (d) any other matter notified by the *Tribunal* in writing.
- 7.5 The *Licence Holder* must prepare and publish on its website information about *guaranteed service levels* in accordance with any requirements in the *Reporting Manual*.

Planned interruptions

- 7.6 The *Licence Holder* must prepare and publish on its website a report on *planned interruptions* in accordance with any requirements in the *Reporting Manual*.

Major event days

- 7.7 Where a *major event day* has occurred, the *Licence Holder* must publish daily updates advising affected *customers* of the estimated time for the restoration of supply in accordance with any requirements in the *Reporting Manual*.

Distributed energy resources

- 7.8 The *Licence Holder* must collect and publish information on its website in relation to distributed energy resources in accordance with any requirements in the *Reporting Manual*.

Customer compensation schemes

- 7.9 The *Licence Holder* must report information to the *Tribunal*, to be published by the *Tribunal* at the *Tribunal's* discretion, about the compensation schemes it offered customers in accordance with any requirements contained in the *Reporting Manual*.

Incident reporting

- 7.10 The *Licence Holder* must prepare and submit a report on any incident in accordance with any requirements contained in the *Reporting Manual*.

Independent audit report

- 7.11 The *Licence Holder* must arrange, in accordance with conditions 7.12 to 7.17, for an independent audit to be conducted of the *Licence Holder's* performance against:
- (a) the *individual feeder standards*;
 - (b) the *low-voltage SAPS standards*;
 - (c) the *direct connection standards*;
 - (d) the *guaranteed service levels*;
 - (e) the obligation to prepare and publish a report on *planned interruptions* in condition 7.6;
 - (f) the obligation to publish updates in relation to *major event days* in condition 7.7;
 - (g) the obligations to collect and publish information in condition 7.8;
 - (h) the obligation to publish information in condition 7.9;
 - (i) the obligation to prepare and submit incident reports in condition 7.10,
- for the 2024-25 *financial year* and any other subsequent *financial year* as required by the *Tribunal* from time to time.
- 7.12 The audit must be conducted in accordance with the *Audit Guidelines*.
- 7.13 A *Licence Holder* must nominate a person to conduct the independent audit by written notice to the *Tribunal* in accordance with auditor nomination procedures published in the *Audit Guidelines*.
- 7.14 The person nominated to conduct the independent audit is to be a person who is:
- (a) independent of the *Licence Holder*; and
 - (b) competent to exercise the functions of an auditor in respect of the matters to be audited.
- 7.15 The nomination of an auditor by the *Licence Holder* ceases to have effect if the *Tribunal* advises the *Licence Holder* by notice in writing, that the nomination is not acceptable or has ceased to be acceptable.
- 7.16 The *Tribunal* may nominate an auditor to carry out an audit and the person is taken to have been nominated by the *Licence Holder* if:
- (a) the nomination of an auditor by the *Licence Holder* ceases to have effect; or
 - (b) the *Licence Holder* fails to nominate an auditor to carry out the audit in accordance with any requirements specified by the *Tribunal* by notice in writing to the *Licence Holder*.

7.17 Where an independent audit is required under condition 7.11, a *Licence Holder* must provide a copy of the auditor's report to the *Tribunal* by 30 September each year or such other date as approved in writing by the *Tribunal*.

7.18 A *Licence Holder* must provide the independent audit report for the 2023-24 financial year required by conditions 7.6 to 7.12 of the *former licence* to the *Tribunal* by 30 September 2024.

General matters concerning reports

7.19 The *Tribunal* may from time to time prescribe requirements to be followed by the *Licence Holder* in respect of reports required by this condition in the *Reporting Manual* and the *Licence Holder* must comply with any such requirements.

7.20 The *Tribunal* may from time to time require, by notice in writing to the *Licence Holder*, further reports relating to these *Licence* conditions including reports relating to capital expenditure, network refurbishment and maintenance programs.

7.21 A *Licence Holder* must provide a report submitted to the *Tribunal* under this condition to the *Minister* if requested to do so by the *Minister* by notice in writing.

[7] New definitions

Insert the following definitions in alphabetical order in the Definitions:

connection contract	has the meaning given to 'Deemed Standard Connection Contract' in the <i>National Energy Retail Law (NSW)</i> .
customer base	means, in respect of a <i>feeder</i> for a period: (a) the number of <i>customers</i> supplied by the <i>feeder</i> as at the start of the period; plus (b) the number of <i>customers</i> supplied by the <i>feeder</i> as at the end of the period, divided by two.
direct connection standards	means the standards specified in condition 5.2.
former licence	means the distributor's licence granted under the <i>Act</i> to the Essential Energy (ABN 37 428 185 226) dated 5 February 2019.
guaranteed service levels	means the guaranteed service levels contained in condition 6.2.
GSL payment	means a payment made to a <i>customer</i> in accordance with condition 6.
investigation report	means a report prepared in accordance with condition 5A.2 that sets out the causes for, and potential solutions to, the <i>Licence Holder's</i>

	non-conformance with <i>individual feeder standards, low-voltage SAPS standards</i> and/or <i>direct connection standards</i> .
long feeder	means a <i>feeder</i> with a total <i>feeder</i> length that is equal to or greater than 500 km.
low-voltage SAPS standards	means the standards contained in condition 4A.
rectification plan	means a plan prepared in accordance with condition 5A.3 for rectifying a <i>Licence Holder's</i> non-conformance with <i>individual feeder standards, low-voltage SAPS standards</i> and/or <i>direct connection standards</i> .
reporting period	means the period of time to be captured in a report required to be submitted to the <i>Tribunal</i> as specified in the <i>Reporting Manual</i> .
short feeder	means a <i>feeder</i> that is not a <i>long feeder</i> .
small customer	has the same meaning as in the <i>National Energy Retail Law (NSW)</i> .

[8] Definitions to be omitted

In the Definitions, omit the following definitions in their entirety:

Approved Auditor

customer service standards

feeder type

Individual customer standards

interruption duration standards

interruption frequency standards

local government area

long rural feeder

metropolitan

Minutes interrupted

network overall reliability
standards

Non-Metropolitan

Number of interruptions

SAIDI average standards

SAIFI average standards

short rural feeder

Suburb

urban feeder

[9] Substituted Definitions

In the Definitions, substitute the following definitions:

customer	has the same meaning as in the <i>National Energy Retail Law (NSW)</i> .
excluded interruptions	means the <i>interruptions</i> listed in Schedule 2 to these conditions.
individual feeder standards	means the standards contained in condition 4.
interruption	means any loss of electricity supply to a <i>customer</i> of more than 0.5 seconds associated with an outage of any part of the electricity supply network including generation facilities, transmission networks, SAPS and outages affecting a single premises, which:

- (a) commences when recorded by equipment such as SCADA, or where such equipment does not exist, at the time of the first *customer* communication relating to the outage; and
- (b) ends when supply is generally available to the *customer*, but does not include:
- (c) *excluded interruptions*; and
- (d) subsequent *interruptions* caused by network switching during fault finding.

major event day has the meaning given in Schedule 3 to these conditions.

planned interruption means an *interruption* for:

- (a) the planned maintenance, repair or augmentation of the transmission system or a regulated SAPS conversion;
- (b) the planned maintenance, repair or augmentation of the *distribution system*, including planned or routine maintenance of metering equipment (excluding a retailer planned interruption); or
- (c) the installation of a new connection or a connection alteration in accordance with the National Energy Retail Rules and National Electricity Rules.

(In this definition, unless otherwise defined in this Licence, terms have the meanings given to them in the National Energy Retail Rules).

Reporting Manual means any document setting out reporting or information disclosure requirements for the *Licence Holder* which is prepared by the *Tribunal* from time to time and is available on its website at www.ipart.nsw.gov.au

[10] Schedule 2 – Excluded Interruptions

Omit Schedule 2 (Network overall reliability standards) in its entirety, and substitute:

SCHEDULE 2: EXCLUDED INTERRUPTIONS

- (a) In this Schedule 2:
 - load shedding** means reducing or disconnecting load from the power system;
 - system operator** has the same meaning as in the *National Electricity (NSW) Law*.
- (b) The following types of *interruptions* are *excluded interruptions*:
 - (i) an *interruption* of a duration of three minutes or less;
 - (ii) an *interruption* resulting from:
 - (A) load shedding due to a generation shortfall;

- (B) automatic load shedding due to the operation of under-frequency relays following the occurrence of a power system under-frequency condition described in the Power System Security and Reliability Standards made under the National Electricity Rules;
 - (C) load shedding at the direction of the Australian Energy Market Operator or system operator;
 - (D) a failure of the shared transmission network;
 - (E) the exercise of an obligation, right or discretion imposed, or provided for, under the *Act* or *Regulations* or national electricity legislation;
- (iii) an *interruption* caused by a failure of transmission connection assets unless the interruption was due to:
- (A) action or inaction of the *Licence Holder* that is inconsistent with good industry practice; or
 - (B) inadequate planning of transmission connections and the *Licence Holder* is responsible for transmission connection planning;
- (iv) an *interruption* caused, or extended, by a direction from NSW or Federal emergency services, provided that a fault in, or the operation of, the *distribution system* did not cause, in whole or in part, the event giving rise to the direction;
- (v) a *planned interruption*; and
- (vi) an *interruption* which commences on a *major event day*.

[11] Schedule 3 – Major Event Days

Omit Schedule 3 (Individual feeder standards) in its entirety, and substitute:

SCHEDULE 3: MAJOR EVENT DAYS

The following methodology for identifying *major event days* is based on IEEE Std. 1366-2012, *IEEE Guide for Electric Power Distribution Reliability Indices*, by the Institute of Electrical and Electronics Engineers (IEEE).

Explanation and Purpose

The following process ("**Beta Method**") is used to identify *major event days* which are to be excluded from the *individual feeder standards* for the purposes of condition 4 of the Licence, *low-voltage SAPS standards* for the purposes of condition 4A of the Licence, and *direct connection standards* for the purposes of condition 5 of the Licence. The method is to be used provided that the natural log transformation of the data closely resembles a Gaussian (normal) distribution. Where this is not the case, the *Licence Holder* may seek the *Tribunal's* approval to apply a different threshold value.

A *major event day* under the Beta Method is one in which the daily total system *SAIDI* value ("**daily SAIDI value**") exceeds a threshold value, *TMED*. The *SAIDI* is used as the basis of determining whether a day is a *major event day* since it leads to consistent results regardless of utility size and because the *SAIDI* is a good indicator of operational and design stress.

In calculating the daily total *SAIDI*, any *interruption* that spans multiple days is deemed to accrue on the day on which the *interruption* begins. That is, all minutes without supply resulting from an *interruption* beginning on a *major event day* are deemed to have occurred in the *major event day*, including those minutes without supply occurring on following days.

For the purpose of calculating *TMED* and the daily *SAIDI* values, an *interruption* referred to in clause (b)(vi) of Schedule 2 is not an *excluded interruption*.

Determining a major event day

The *major event day* identification threshold value *TMED* is calculated at the end of each *financial year* for each *Licence Holder* for use during the next *financial year* as follows:

- (a) Collect daily *SAIDI* values for the last five *financial years* ending on the last day of the last complete *reporting period*. If fewer than five years of historical data are available, use all available historical data for the lesser period.
- (b) Only those days that have a daily *SAIDI* value will be used to calculate the *TMED* (do not include days that did not have any *interruptions*).
- (c) Calculate the natural logarithm (\ln) of each daily *SAIDI* value in the data set.
- (d) Find α (Alpha), the average of the logarithms (also known as the log-average) of the data set.
- (e) Find β (Beta), the standard deviation of the logarithms (also known as the log-standard deviation) of the data set.
- (f) Complete the *major event day* threshold *TMED* using the following equation:

$$TMED = e^{(\alpha + 2.5\beta)}$$

- (g) Any day with a daily *SAIDI* value greater than the threshold value *TMED* which occurs during the subsequent *financial year* is classified as a *major event day*.

Treatment of a major event day

To avoid doubt, a *major event day*, and all *interruptions* beginning on that day, are excluded from the calculation of a *Licence Holder's SAIDI* and *SAIFI*.

[12] Schedules

Omit Schedule 4 (excluded interruptions), Schedule 5 (customer service standards), Schedule 6 (major event day), Schedule 7 (list of metropolitan areas) and Schedule 8 (individual customer standards) each in their entirety.