

11 February 2022



Ms Sandra Gamble (Chair)
Energy Networks Committee
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Dear Ms Gamble,

**Ausgrid Submission – IPART Review of Electricity Network Operator Licences
Issues Paper and Draft Report 2022**

Thank you for the opportunity to respond to the Independent Pricing and Regulatory Tribunal's (IPART) Review of Electricity Network Operators' Licences Issues Paper and Draft Report (**the Report**). Ausgrid owns and operates a shared distribution grid that stretches from southern Sydney to the Upper Hunter Valley, including the Sydney CBD. Our network supports over 20 per cent of the national gross domestic product and over 4 million people who live or work within our network area. We support the review and generally agree with IPART's proposed approach however we have specific recommendations in relation to Report questions 1, 3, 13 and 15.

In relation to question 1, we recommend that IPART review the Critical Infrastructure Licence Conditions as it does not necessarily follow they will become redundant through the national reforms in the short-term. The aim of the national reforms is to set minimum standard for the protection of critical infrastructure across 15 sectors, ranging from space technology to financial markets as well as the electricity industry. The broad coverage of the national reforms means that the minimum standards do not consider the unique challenges the NSW electricity networks face, which is reflected in the draft Risk Management rules specifying the lowest maturity level for cyber security (Security Profile 1).

We recommend maintaining the Critical Infrastructure Licence Conditions but reviewing them to improve their clarity. This will avoid unintended consequences and support a regulatory framework tailored to the unique cyber and other threats the NSW electricity distributors face. The review should focus on how the licence conditions can promote effective risk control while also meeting the longer-term intent of the national reforms, such as with the definitions of 'operational technology and associated IT infrastructure' and 'accessible'.

We recommend that the note at Clause 9.2 could be reviewed and adjusted to reflect the intent of the underlined text below:

'Note: For the purposes of Licence condition 9.2 (a); Best industry practice includes:

- i) access required by relevant Australian regulators and market and system operators to meet the Licence Holder's obligations under Australian law; and*

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- ii) supervised access by suppliers to localised field equipment that does not have a data connection to the main distribution system and where a risk assessment has identified there is no potential impact to the main distribution system'.

Our recommended approach for clause 9.2 will enable network businesses to be more responsive to meet the needs of our customers in a changing electricity network and plan for, and align with, the national reforms as they are being implemented. For example, if Ausgrid were to scale its localised deployment of devices to manage voltage issues from solar generation, it isolates these devices from its main electricity control system and any potential supply security concerns. Unfortunately, the licence conditions do not support Ausgrid using any specialist equipment monitoring and configuration adjustment from overseas suppliers, or local suppliers utilising cloud solutions hosted overseas. This limits our suppliers and our ability to scale projects, and does not enable us to undertake a risk-based assessment of appropriate tools and services that best meet the needs of our organisation and customers.

We support IPART's approach identified in question 3 whereby network businesses can agree with one another in writing to operate outside their distribution districts if they inform IPART. Network businesses will work together to achieve this proposed amendment.

We generally support to retaining the existing licence conditions to comply with the Public Lighting Code (**Code**) in question 13. However, we recommend amendments to the relevant licence conditions so that it is not a breach of our licence if network businesses do not always adhere to every public lighting maintenance target specified in the Code. From time to time there will be situations when we are unable to comply with a maintenance target, for example, when one light has not been repaired within a given timeframe, due to a need to respond to a network safety issue. A breach should be limited to situations where a network demonstrates systematic non-compliance with the target and an IPART-endorsed remediation plan is not in place.

Question 15 raised providing IPART with a new auditing power. We understand the importance of using audits to support compliance, however, their use needs to be balanced against the additional cost and effort they can impose. We recommend IPART implement a rolling 2-year audit plan that is provided to network business to enable appropriate preparation (including costing and resourcing) for audits.

Thank you for the opportunity to respond to the Report. We would be happy to meet with IPART to discuss our submission, in particular provide examples of and context for the benefits of our response to questions 1 and 15. If you have any questions about Ausgrid's submission, please contact [REDACTED] Regulatory Policy Manager, at [REDACTED].

Regards,

[REDACTED]

Chief Executive Officer