

Branch Procedure

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| CUSTOMER & STAKEHOLDER MANAGEMENT | Document No : CEOP2513.08 Amendment No : 2 Approved By : Manager Network Connections Approval Date : 30/06/2014 Review Date : 30/09/2014 |
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CEOH2513.08. ESSENTIAL ENERGY NEGOTIATION FRAMEWORK

1.0 PURPOSE

This document sets out the **minimum requirements** to be followed during negotiations between Essential Energy and a Connection Applicant who wishes to negotiate a low voltage connection contract under Chapter 5A of the Rules.

This Negotiation Framework does not apply to contestable services, being those services under New South Wales law that can be provided by more than one Accredited Service Provider on a competitive basis.

2.0 SCOPE

No entry.

3.0 REFERENCES

Internal

Connecting to the Network Information Pack
 Application for low voltage connection form
 Connection Policy CEOP2013.06
 Supply Standards: Electricity Supply Standard CEOP8026
 Easement Requirements CEOP8046

External

Electricity Supply Act 1995
 Electricity Supply (General) Regulation, 2001
 National Electricity Rules
 National Energy Retail Law (NSW)
 National Energy Retail Rules
 NSW Service and Installation Rules
 Standards Australia - Wiring Rules (AS/NZS 3000:2000)
 AER – Connection charge guidelines for electricity retail customers – Under chapter 5A of the National Electricity Rules

4.0 DEFINITIONS

Statutory definitions apply

Terms used in this document have the meanings they bear in the *energy laws* as amended from time to time.

For ease of reference, Essential Energy offers the definitions set out below. Where our definitions differ from those in the *energy laws*, the definitions in the *energy laws* prevail in the event of a conflict of meaning.

AER

Australian Energy Regulator.

Business day

Any weekday other than any public holiday in New South Wales and 27, 28, 29, 30 and 31 December.

Capacity

The measure of the electricity (expressed in amperes) that can be received from the distribution system by an electrical installation.

Connection

A physical link between a distribution system and a customer's premises to allow the flow of electricity and means, in this contract, the connection described in the connection offer or contact notification letter. To avoid doubt, connection does not include relocation and connection works do not include relocation works.

Connection alteration

An alteration to an existing connection, including an addition, upgrade, extension, expansion, augmentation or any other kind of alteration.

Connection applicant

The person who lodged the connection application, who is either a retail customer or a real estate developer, or a person making a connection application on behalf of a retail customer or real estate developer.

Connection application

An application for a new connection or connection alteration and in the context of this contract the completed connection application referred to in the connection offer.

Connection charge

A charge imposed by a DNSP for a connection service. Essential Energy's only connection charges are the monopoly fees for monopoly services and the site inspection fee.

Connection contract

A contract formed by the making and acceptance of a connection offer. To avoid doubt, except where Essential Energy's **Deemed Standard Connection Contract** is expressly referred to in this document, connection contract refers to a connection contract under Chapter 5A of the rules.

Connection offer

The offer by Essential Energy to enter into a connection contract on the terms of this contract and the connection application attached to the offer.

Connection point

The point of supply.

Connection policy

A document approved as a connection policy by the regulator under Chapter 6, Part E of the rules, setting out the circumstances in which connection charges are payable and the basis for determining the amount of such charges. Essential Energy's connection policy is available at www.essentialenergy.com.au/connectingtothenetwork.

Connection specifications

The specifications for the connection set out in the connection application.

Contestable service

A service is contestable if the laws of the participating jurisdiction in which the service is to be provided permit the service to be provided by more than one supplier as a contestable service or on a competitive basis.

Customer

A retail customer or a real estate developer.

Deemed standard connection contract

A standard form contract containing the model terms and conditions for connection contracts set out in Schedule 2 of the National Energy Retail Rules. The Deemed Standard Connection Contract establishes the terms on which Essential Energy will provide ongoing services to the retail customer at the premises once the connection is established. It applies when the retail customer begins to take supply of electricity. Essential Energy's Deemed Standard Connection Contract is available on our website at www.EssentialEnergy.com.au/connectingtothenetwork.

Distribution network

The apparatus, equipment, plant and buildings used to convey and control the conveyance of electricity (excluding connection assets).

Distribution network service provider (DNSP)

The owner, controller or operator of a distribution network and in this contract means Essential Energy.

Distribution system

The apparatus, equipment, plant and buildings used to convey and control the conveyance of electricity to customers and includes any connection assets.

Document control

Employees who work with printed copies of document must check the BMS regularly to monitor version control. Documents are considered "uncontrolled if printed", as indicated in the footer.

Electrify

The application of electrical current to the premises connection assets and the electrical installation; and electrification has a corresponding meaning.

EWON

Electricity and Water Ombudsman (NSW).

Minimum requirements

The minimum connection contract requirements described in schedule 5A.1 of the National Electricity Rules.

Model standing offer

A contract that sets out the terms and conditions on which Essential Energy is willing to permit connections to be made between its distribution network and premises whose connection specifications fall into that category.

Negotiation framework

The framework described in rule 5A.C.3 of the National Electricity Rules.

New connection

A connection established or to be established, in accordance with the Rules and applicable energy laws, where there is no existing connection.

Preliminary enquiry

A Distribution Network Service Provider must, within 5 business days after receiving an enquiry about a connection service (or some other period agreed between the Distribution Network Service Provider and the enquirer), provide the enquirer with the information required to make an informed application.

Recordkeeping

Making and maintaining complete, accurate⁴ and reliable evidence of business transactions in the form of recorded information (Source: AS records classification handbook – HB5031 – 2011.)

Retail contract

A contract between a retail customer and a retailer for the supply of electricity to the premises.

Retail customer

A person who purchases electricity from a retailer and includes a non-registered embedded generator and a micro embedded generator.

Retailer

A person who is the holder of a retailer authorisation issued under the National Energy Retail Law in respect of the sale of electricity.

Rules

The National Electricity Rules established (and as amended from time to time) under the National Electricity Law.

Review date

The review date is displayed in the header of the document, is the future date for review of this document. The default period is three years from the date of approval however a review may be mandated at any time where a need is identified due to changes in legislation, organisational changes, restructures, occurrence of an incident or change in technology or work practice.

Small customer

A residential customer or a business customer who consumes electricity under the upper consumption threshold (at 1 July 2013 this was 100MWhs per annum).

Supply services

Connection related services available from Essential Energy that continue after the connection is electrified.

5.0 ACTIONS**5.1 Basis for negotiation***5.1.1 Essential Energy and the connection applicant to comply with negotiation framework*

Essential Energy and the Connection Applicant will comply with this Negotiation Framework when negotiating a Connection Offer in accordance with each of their obligations under the Rules.

5.1.2 *Good faith and confidentiality*

Essential Energy and a Connection Applicant agree to conduct negotiations in good faith.

5.1.3 *Confidentiality*

Each of Essential Energy and the Connection Applicant must maintain the confidentiality of all confidential information disclosed by the other party in the course of the negotiations unless disclosure of the information is authorised:

- (a) by the party to whom the confidentiality is owed; or
- (b) under:
 - the law or the Rules; or
 - under any other law.

5.1.4 *Authority*

A Connection Applicant must nominate and provide contact details for a person that has authority to represent the Connection Applicant in the negotiations. If the Connection Applicant comprises more than one entity (eg a partnership or joint venture) the nominated person must have authority to represent all of the relevant entities.

Essential Energy will nominate and provide contact details for a person that has authority to represent Essential Energy in the negotiations.

5.1.5 *Charges*

Essential Energy requires an upfront payment of \$250 to assess an application prior to the commencement of negotiations.

Following initial assessment of the connection application Essential Energy will provide the Connection Applicant with an estimate of the charges for making a Connection Offer for a negotiated connection contract. Any charges to be imposed by Essential Energy will be based on the costs reasonably incurred in negotiating the contract with the Connection Applicant and will include the costs of facilitating and contributing to the negotiation process, liaising with subject matter experts, preparation of related information and documents, direct legal costs of finalising the contracts and independent review.

Once negotiations have been completed, Essential Energy will bill the Connection Applicant for outstanding amounts in a final invoice with the Connection Offer. The Connection Applicant will be liable to pay all invoiced costs whether or not the final Connection Contract is agreed or accepted.

5.1.6 *When a negotiated connection is required*

In general, a negotiated connection offer will only be required in either of the following two situations:

- (a) *Essential Energy has assessed the connection proposed in a preliminary enquiry or connection application and determined that none of our existing model standing offers are suitable, or*
- (b) *A connection applicant elects for a negotiated connection offer and is willing to pay Essential Energy's negotiation fees.*

5.1.7 *What can be negotiated?*

A wide range of matters can be the subject of negotiation, including certain terms of the contract, specific requirements of the proposed connection and supply services.

In most circumstances Essential Energy will use the most applicable model standing offer that relates to the type of connection as the basis for negotiation.

At the commencement of the negotiation process, Essential Energy will review the matters that the applicant wishes to negotiate. It may be necessary to exclude particular matters where they do not meet regulatory or other legal requirements. In that case, Essential Energy will provide reasons for the exclusion and the Connection Applicant will have the opportunity to revise the negotiation request.

If the Connection Applicant for a retail customer is a small customer, Essential Energy will provide information regarding the small customer's right to have a deemed standard connection contract for their ongoing supply services and an explanation of the differences between the terms and conditions of any proposed negotiated connection contract and the deemed standard connection contract.

In all cases, Essential Energy will aim to develop a connection offer that complies with the Connection Applicant's reasonable requirements, while complying with minimum requirements. All negotiated connection offers and connection charges must comply and be consistent with Essential Energy's Connection Policy.

5.1.8 *Difficult situations*

In some cases despite the best intentions of both parties, the negotiation process may be difficult, especially where important commercial, technical or regulatory requirements are at stake.

Essential Energy may escalate and/or arrange for an alternative key negotiator to be appointed to assist with or lead the negotiations where it believes this will assist with reaching a negotiated outcome. If it becomes apparent that Essential Energy will not be able to make a connection offer on terms acceptable to the Connection Applicant, the Connection Applicant may choose from the following options:

- a. *Review their requirements and continue with negotiations.*
- b. *Withdraw their preliminary enquiry or connection application.*
- c. *Submit a new preliminary enquiry or connection application.*
- d. *Once Essential Energy's connection offer is formalised, lodge a dispute with the Australian Energy Regulator in accordance with the dispute resolution provisions of Part G of Chapter 5A of the Rules.*
- e. *If the customer is a small customer:*
 - raise a dispute in accordance with Essential Energy's Standard Complaint and Dispute Resolution Procedure;

- make a complaint to the Energy Ombudsman
New South Wales Energy and Water Ombudsman (EWON)
Freecall 1800 246 545 or www.ewon.com.au
For customers in Queensland the Energy and Water Ombudsman Queensland (EWOQ)
Freecall 1800 662 837 or www.ewoq.com.au; or
- use the AER dispute resolution process referred to in d above.

5.1.9 Connection to Essential Energy’s network

This negotiation framework does not replace Essential Energy’s process for making a connection application for a new connection or connection alteration, which has been established in accordance with Chapter 5A of the Rules. This negotiation framework may apply concurrently with such an application.

Essential Energy’s documents associated with connecting to our network include:

- Connection to the Network Information pack
- Application for Low Voltage Connection form, and
- CEOP2513.06 Essential Energy’s Connection Policy

These documents are available on our website essentialenergy.com.au, and contain Essential Energy’s general conditions for connection.

5.2 Negotiation process phases

All connection negotiations will follow three broad phases:

- Information Phase:** the Connection Applicant and Essential Energy prepare and provide the necessary information to proceed with the negotiation;
- Negotiation Phase:** negotiation matters are reviewed and discussed in detail in an attempt to reach an in-principle agreement, and
- Formalisation Phase:** outcomes of the negotiation are documented and a negotiated connection offer is finalised and provided to the Connection Applicant.

Each of these phases may involve a number of steps subject to the complexity of the connection negotiations as discussed in section 3.2.

5.3 Negotiation process template

The table below represents a generic process template that may be applied to the negotiations. This template may need to be adjusted, simplified or expanded depending on the matters under negotiation.

The timeframes indicated below provide generic targets only. The time taken by the Connection Applicant to provide any information requested by Essential Energy will be in addition to the timeframes indicated. A specific negotiation program will be developed in consultation with the Connection Applicant during the initial information phase.

| Information Phase | Process |
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| 1 Need for a negotiated connection first | (a) Essential Energy determines that none of the existing model standing offers are suitable for the proposed connection; or |

| Information Phase | Process |
|--|---|
| identified | <p>(b) The Connection Applicant elects to negotiate a connection offer with Essential Energy. This may occur at the time of making a connection application or after Essential Energy has made a connection offer that the connection applicant or customer then seeks to negotiate.</p> |
| 2 Formal notification of negotiation | <p>(a) No appropriate model standing offer:</p> <p>Within 10 business days of receiving a complete connection application, Essential Energy will provide advice to the connection applicant of the need for a negotiated connection. This communication will include details of where the customer can access our negotiation framework and initial costs for Essential Energy to assess the application to commence the negotiation process; or</p> <p>(b) Connection applicant chooses to negotiate:</p> <p>Within 10 business days of Essential Energy receiving a Connection Applicant’s notification that they wish to negotiate their connection offer, Essential Energy will provide details of where the connection applicant can access the negotiation framework and information on initial costs to commence the negotiation process.</p> <p>In all cases Essential Energy will use its best endeavours to make a negotiated connection offer within 65 business days of receiving a complete connection application or a request to negotiate (plus the time taken for the Connection Applicant to provide necessary information that may be requested by Essential Energy). The negotiation period may need to be extended for complex or extensive negotiations or where Essential Energy is required to consult with other users of the network who may be adversely affected by the proposed connection. Any extension will be in consultation with the Connection Applicant.</p> |
| 3 Confirmation of scope of negotiation and payment | <p>This phase requires two key steps.</p> <p>(a) The Connection Applicant must complete the information required in Annexure 1 attached to this negotiation framework and return it to Essential Energy. This is required to enable Essential Energy to understand what the connection applicant is seeking to negotiate.</p> <p>(b) The Connection Applicant must pay the \$250 negotiation commencement fee in accordance with Annexure 1.</p> |
| 4 Initial meeting | <p>Following completion of Phase 3, Essential Energy will arrange an initial meeting with the Connection Applicant as soon as practical to review and discuss:</p> <ul style="list-style-type: none"> • contact arrangements; • negotiation principles, including the need to negotiate in good faith and confidentiality requirements; • the negotiation process described in this document; |

| Information Phase | Process |
|-------------------------|--|
| | <ul style="list-style-type: none"> • the specific matters under consideration for negotiation; and • additional information that Essential Energy can provide and that may assist the Connection Applicant to negotiate on an informed basis. |
| 5 Information request | <p>In some cases Essential Energy may require additional information from the Connection Applicant. Essential Energy will (if practicable) request this additional information in writing within 20 business days of:</p> <ul style="list-style-type: none"> (a) receiving the completed connection application, or (b) being advised of the Connection Applicants decision to elect to negotiate a connection contract. <p>At various times throughout negotiations, Essential Energy may require additional information from the Connection Applicant.</p> |
| 6 Information Provision | <ul style="list-style-type: none"> (a) Essential Energy will comply with any reasonable request for remaining information by the Connection Applicant as soon as practicable together with an estimate of the total cost to complete the negotiation process. (b) The Connection Applicant must also prepare and provide information requested by Essential Energy as soon as practicable. <p>A meeting between Essential Energy and the Connection Applicant may be needed at this stage to review and clarify the information each party has requested and received.</p> |
| 7 Negotiations commence | <p>Essential Energy will arrange a meeting with the Connection Applicant to further discuss and refine the negotiation program based on the information provided and target date for completion.</p> <p>Negotiation may also commence at this meeting, facilitated by the Essential Energy representative. In straightforward cases, in principle agreement may also be able to be reached at this meeting.</p> |
| 8 Negotiations | <p>Interactions including meetings and/or discussions proceed in line with this negotiation framework. By agreement, Essential Energy will generally record these interactions through meeting minutes and file notes to clearly document the key issues and actions required to reach an effective outcome.</p> <p>In the case of protracted or problematic negotiations Essential Energy may escalate and/or appoint an alternative negotiator to assist or lead the discussions.</p> <p>During this phase Essential Energy will determine and provide to the customer:</p> <ul style="list-style-type: none"> • an estimate of the connection charges and where applicable, supply services and a statement of how they were calculated; |

| Information Phase | Process |
|---|--|
| | <ul style="list-style-type: none"> • the technical requirements for the proposed new connection or connection alteration; • any consequent change in charges for the distribution use of system services; and • any possible material effect of the proposed new connection or connection alteration on the network power transfer capability of the distribution network or any other distribution network that might be affected by the proposed connection. <p>Essential Energy may if necessary consult other users of the distribution network who may be adversely affected by the proposed connection.</p> |
| 9 Negotiations conclude | <p>(a) Agreement is reached for all matters under negotiation allowing a negotiated connection offer to be drawn up; or</p> <p>(b) in the event agreement cannot be reached the options described earlier in section 2.8 may need to be followed.</p> |
| 10 Preparation of Connection offer | Essential Energy finalises and delivers the connection offer as required by the rules. |
| 11 Connection offer provided to applicant | <p>The connection offer is provided to the Connection Applicant for final consideration and acceptance or rejection (as the case may be). The offer will remain open for acceptance for a period of 20 business days from the date of the offer unless this period is extended by agreement.</p> <p>Essential Energy may also provide a final invoice to the connection applicant for concluding the negotiations, which will need to be paid whether or not the final connection offer is accepted.</p> |

6.0 RECORDKEEPING

The table below identifies the types of records relating to the process, their storage location and retention period.

| Type of Record | Storage Location | Retention Period* |
|----------------|---|----------------------------------|
| Electronic | Objective and/ or Peace/Prospects | 7years or as required regulation |
| Hard copy | Scanned into Objective and original in EE archive records | 7years or as required regulation |

* Content Coordinator must liaise with the Records Manager to validate the retention period is compliant with the relevant disposal authority.

7.0 AUTHORITIES AND RESPONSIBILITIES

Customer Connections Manager has the authority and responsibility for:

- Process owner; and
- escalation officer

New Connections Manager has the authority and responsibility for:

- Initial negotiation officer; and
- Contract document owner.

8.0 DOCUMENT CONTROL

Content Coordinator : Manager Network Connections

Distribution Coordinator : Network Operations Distribution Coordinator

Annexure A – Amendments to contract

This table represents the proposed amendments sought to be negotiated with Essential Energy. Once completed please return to:

Applications Team
Essential Energy
PO Box 5730
Port Macquarie NSW 2444

Please ensure you have lodged the \$250 negotiation commencement fee to allow negotiations to commence. This can be instigated by completing an Electronic Funds Transfer into Essential Energy’s nominated account shown below with the following reference “NECF - and your application number”.

Name: Essential Energy
Bank: CBA
BSB: 062987
Account: 10018760

| Current clause of Contract* | Proposed amended clause of Contract |
|-----------------------------|-------------------------------------|
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*If a new clause not covered by a current contract is proposed, please leave blank.