
Authorities & Delegations Policy

September 2006



CS ENERGY LTD

Authorities & Delegations Policy

1 Overview Comment

The CS Energy Board approves authorities. The Board specifically delegates authorities to the Chief Executive along with the authority to delegate to other officers. The Chief Executive delegates General Manager level authorities. General Managers determine lower level authorities.

Authorities may be financial or non-financial. This document principally addresses financial authorities related to procuring goods and services, accounting and losses. A delegated officer may only exercise authority within their area of responsibility. Financial authorities require budget provision to exist for the proposed expenditure. Out of budget expenditure requires the exercise of authority at the next management level.

2 Definitions

A. **Financial Authority:** Authority to financially commit CS Energy generally to an external party. Delegations can be either:

- General – i.e. expenditure associated with the day-to-day operation of CS Energy. It may be either capital or operating expenditure (refer Schedule 1). Financial authority will normally be exercised at the higher value applicable to each project, contract and where not associated with a larger expenditure aggregation, then at the individual purchase item level. It is not permissible to split purchases to go below a delegation limit. Credit card expenditure is a form of General Delegation and is deemed to occur where an officer, who has not otherwise been granted a specific financial authority, is provided with a corporate credit card. The financial delegation provided under this provision carries the same authorities and restrictions as a General Authority.

OR

- Specific – specific authorities are special purpose authorities given to specified officers. The specific authorities set out in Schedule 2 may only be exercised by the officers delegated with those authorities. For example a general delegation of financial authority does not include authority to approve acquisition of administrative computer equipment. In order to ensure uniformity of the computer environment this authority is reserved for IT staff.

B. **Payment Approval:** Refers to the process of initiating payment consequent to receipt of goods, services or works. Financial authority would normally have been given to initiate the transaction. Payment approval may be exercised by any officer of CS Energy whose normal role includes certifying or verifying that invoices or contract claims are in order for payment.

C. **Statutory and Other Similar Obligations:** That is, where there is a legal obligation to pay and no ability to exercise expenditure discretion payment approval may be exercised without prior exercise of financial authority (e.g. rates, taxes, electricity accounts etc). Transactions covered by this provision are referenced in Schedule 3.

3 Framework

CS Energy has delegated authorities over five categories as detailed below. Relevant Policies & Procedures for each category may be referenced on the CS Energy intranet.

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- I. **Financial:** Refer CS Energy Purchasing Policy for the application of prescribed CS Energy purchasing principles. Expenditure authority limits for procurement activities are set out in Schedule 1.
- II. **Human Resources:** Refer Personnel Policy & Procedures for actions relating to recruitment, remuneration, termination, payroll etc. (Refer HR Procedures 1-39)
- III. **Market Trading:** Refer the Board approved Electricity Market Risk Policy which prescribes authorities necessary to allow contract trading & pool trading activities.
- IV. **Treasury:** Refer the Board approved Group Financial Policies set out the authority levels for borrowing, derivatives, leasing and debt servicing.
- V. **Legal:** The Execution of Documents Procedure, CS-Legal-3, sets out the staff who have authority to execute legal documents like formal contracts, agreements, deeds, title documentation, MOU, Confidentiality Agreements etc.

4 Maintenance of Financial Delegations

The process of granting financial authority is set out in procedure 'Processing SAP Delegations CS-SAP-1'. Records of financial delegations are held in a 'Financial Delegation Register' maintained by the Business Process Support Department. Position authorities will be recorded in role purpose statements held in Corporate HR personnel records.

Authorisations may relate to financial and non-financial transactions, which impose legal obligations on CS Energy.

5 Source of Authorities

Authorities and Delegations are based on position, not person. Providing a person has been formally identified as acting within a position then that person will assume the authorities and delegations pertaining to the position applicable at the time.

CS – Legal – 3 indicates which employees have signing authority to enter into arrangements that legally bind, the organisation. Authorities are given to officers of CS Energy on the clear understanding that they will be exercised on the basis that due process and procedure will be followed. This includes ensuring the prescribed procedures are followed for obtaining quotes and establishing contractual arrangements.

Authorities are approved by the CS Energy Board. The Board specifically authorises the Chief Executive with financial limits along with the authority to delegate to other officers. The Chief Executive authorises General Manager level authorities. General Managers determine lower level authorities within approved guidelines.

An officer exercising financial authority is ultimately responsible for ensuring CS Energy Policy and Procedure are followed from start to end of the transaction. In discharging this responsibility the officer should rely upon the professional advice and guidance provided by other functional areas of CS Energy. This includes advice and guidance from areas such as legal, procurement and finance to ensure correct procedure and due process are followed in obtaining quotes, receiving and analysing offers, executing agreements and receiving and paying for goods and services.

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Notwithstanding the general authority of the board, there are limits surrounding the exercise of delegation generally established through government policies and committed to through the Statement of Corporate Intent eg large expenditure limit (\$40m) and approval for overseas investment and travel.

6 Financial Authority Vehicles

There are a number of ways a delegate may choose to exercise financial authority. It may be given as an absolute approval to spend up to the authorised limit or it may be given with conditions. For example, project approval may give absolute approval for expenditure up to a specified level but be conditional on subsequent approval for expenditure on other identified project components including contracts.

Exercise of financial authority for projects and certain types of contracts will normally also include an estimated total expenditure for the project or contract. When it becomes apparent that the advised estimated maximum expenditure is likely to be exceeded then a new advice is required to the approving authority. For contracts and projects approved by government no further Government approval is required until the estimated total approved by Government is expected to be exceeded.

The following discussion covers both approval for internal and external resources where there is financial consideration. The type of commitment approval exercised will determine how the expenditure is tracked and managed in SAP.

External Commitment Types:

There are only the following three types of financial instruments that can be used to initiate external commitment.

A. Project Authority

Project Expenditure recognises the need to aggregate a series of expenditures that are related to delivering a common objective, the project. Aggregated transactions require appropriate financial authority at the aggregated level not the individual transaction level. Projects are controlled under the general delegation category.

(When a project receives financial authority then **each budgeted contract element** incorporated into the project documentation is **deemed** to also receive financial authority).

Project Definition: 'a related set of activities within an area of responsibility (excludes internal costs) directed at achieving a defined outcome. It requires the initiation/establishment and completion of a scheme/plan to achieve an identifiable tangible result. A project requires a combination of related commitments necessary to achieve a defined outcome. For example an overhaul is a project. Many contracts may make up the project.'

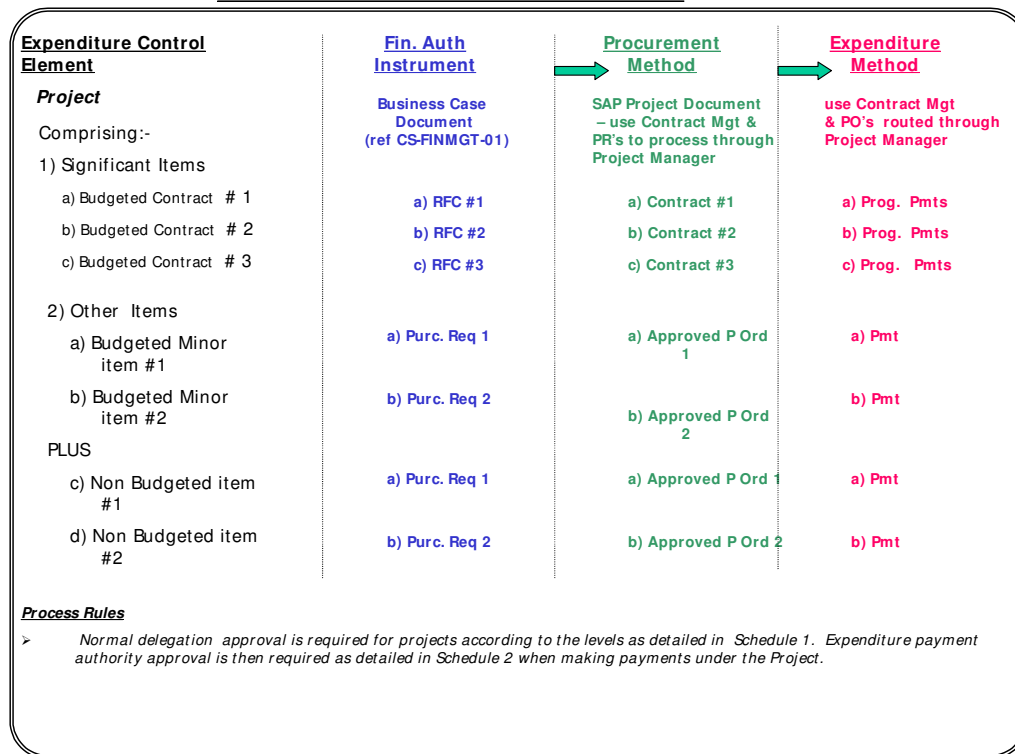
The expenditure control mechanism will be commensurate with the size and complexity of the project and will be managed through either one contract or a series of contracts or separate purchase orders. All project justifications are to be progressed through the Project Evaluation Procedure CS-FINMGT-01.

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Diagram One

FINANCIAL AUTHORITY PROCESS PROJECTS



Note 1: An approval may be given by way of non-standard method eg a signed memo for example. Contingency is included in the total estimated project expenditure. Projects may overrun and that will take the form of a contract variation. Purchase Requisitions need to be raised for these variations.

Note 2: Project Value Increase Authorisation Rule - Where the total estimated expenditure of a project, as originally advised to the approving authority, is to be exceeded by 10%, then a new total project approval is required commensurate with the new total estimated expenditure of the project.

B. Contract Authority

Where a contract is not part of a project then the specific contract should receive individual approval. Contracts are controlled in the 'General Delegation' category. The initial approval should seek to cover both the contract sum and the contingency amount for the total period of operation not the annual amount. The contingency amount may be utilised before seeking approval for an increase.

There are three basic types of contracts and each attracts their own specific financial authorisation process:

- i Lump Sum/Fixed Price Contracts: i.e. Contracts with a defined scope of work and a predetermined price. The price may be subject to variation for escalation, exchange taxes etc. An initial financial authorisation covers all expenditure on items required to be paid under the terms of the contract.

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- ii Schedule of Rates Contract: i.e. Contracts containing schedules that set out the unit cost of defined individual items. If there are no minimum or maximum quantities provided then the initial approval is to seek authorization for the maximum expenditure under the contract either on an annual basis or for the life of the contract. Financial authority for expenditure under schedule of rates contract is exercised under general delegation. Where the approved maximum expenditure level is set out on a per anum basis and the contract is to run for a number of years then the approval is for the annual amount and expenditure must be maintained within the annual amount or additional approval sought.
- iii Standing Offer Contract: These are contracts that pre- define the terms and conditions under which two parties will contract. The legal contract is created when a transaction is initiated under the standing offer. Financial authorisation under a standing offer occurs at the individual transaction level.

C. Purchase Order Authority

Where non- contract expenditure occurs then a purchase order should be raised (except in the case of those special expenditures identified under the *Specific Authority* process). Purchase Orders are raised subsequent to exercise of financial authority through the SAP Purchase Requisition process. These are controlled under the 'General Delegation' category.

Internal Commitment Types:

- A. A 'Work Order' only requires exercise of financial authority according to the levels stated in Schedule 1 to the extent that the expenditure is external to CS Energy.

Other internal commitments, like projects using internal resources only, can be monitored through other mechanisms (eg Internal Orders) and do not attract financial authority as detailed in Schedule 1.

Note - Price/Value Increase Rule: Where any Contract or Purchase Order scope increases in value by 10% or more of the approved maximum expenditure, then a separate financial authorisation is required for the increase (reductions in scope and value do not require exercise of financial authority). Contract variations up to 10% of the contract sum may be approved by financial delegates with authorisation levels commensurate with the variation value. Commercial adjustments under the original terms of the contract eg rise and fall, foreign exchange, site allowance etc are authorised under the original approval and do not require subsequent approval.

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Schedule 1 – General Delegations

A. Board Approved Chief Executive Delegations

	Delegation – Level Six	\$	SAP Document
1.	Overhauls & - Spot purchase of fuel (eg. coal/gas) supplies outside of existing contractual arrangements	6M	NO & NF
2.	Management, operation and maintenance of electricity generation assets and associated infrastructure including Projects	3M	All except NC, NO,NF & NP
3.	Ex Gratia Payments to external parties. (Note ex gratia payments to staff, officers, directors or owner representatives are reserved for board approval)	0.6M	-
4.	Emergency expenditure necessary to preserve reliability of supply, preservation of assets, prevention of loss of life or major injury due to unforeseen circumstances, based upon the assessment of the Chief Executive – unlimited but to be submitted for subsequent Board Ratification.	Unlimited	-
5.	Contract variations for board approved contracts up to \$0.5 million.		NC
6.	The right to sub-delegate	-	-

B. Financial Delegations of Chief Executive to CS Energy Officers

	Item	SAP Document	Work Level Five (General Managers)	Work Level Four (Site & Project Managers)	Work Level Three (Superintendent)	Work Level Two (Supervisor/ Specialists/ Coordinator/Adviser)	Work Level One (Officer)
1.	General Delegation	NA/NC/NN/NM/NO /NP	\$350k	\$200k	\$50k	\$15k	\$5k
2.	Spot purchase of fuel (eg. coal/gas) supplies outside of existing contractual arrangements.	NF	\$1.2M General manager Operations	Nil	Nil	Nil	Nil

Note – A Financial Delegate can sign contracts up to their financial authority level when the contract is not part of a previous approval (eg a project).

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Schedule 2 – Specific Delegations

	Delegation	Work Level (Authority levels in this schedule is as for Specific Authorities' as per the general expenditure delegation limits)
1.	Asset /bad debt write off	Chief Executive and Chief Finance Officer.
2.	Ex- Gratia Payments	Chief Executive
3.	Purchase of Land	Chief Executive, General Manager Major Projects, General Manager Corporate Services, General Manager Operations.
4.	Settlement of Legal proceedings	Chief Executive, General Manager Corporate Services, in-house counsel –
5.	Settlement of insurance claims	Chief Executive, General Manager Corporate Services, Risk and Assurance Manager and in-house counsel.
6.	Setting of annual stock levels	Chief Executive, Chief Finance Officer, General Manager Operations, Power Station Managers, Power Station Superintendents responsible for inventory.
7.	Administration Computers, printers, software etc and telecommunication equipment-	Chief Executive, Chief Finance Officer, IT Manager, Site staff specifically authorised by the Chief Finance Office. Equipment/Services/Software can be authorised by site personnel within the parameters of the 'Standard Operating Environment' (as outlined in the IT Strategic Directions document) as determined by the IT Manager.
8.	Sponsorships	Chief Executive Officer, General Manager Organisation. Development, Power Station Managers and the Marketing and Communication Manager
9.	Research and Development	Chief Executive, General Manager Operations, General Manger Major Projects
10.	Resources - (coal, fuel gas and water)	Exercise restricted to CE, GM New Business and GM Operations Whilst resources (coal, gas and water) are arguably "normal expenditure", they also represent a significant component of the overall company cash flows. As such they have been singled out on the basis that they are a high value homogenous product normally acquired under standard conditions and therefore relatively low risk. These items have a higher delegation limit than other expenditures.

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Schedule 3 – Payment Authority

Payments	
Goods and services	No approval required once goods / services are receipted. Corporate payments may be raised directly for recurring or off payments and if no delegation has occurred then it must be evidenced on the corporate payment.
Coal and gas	Non SAP approval by two staff, each of who has been nominated by the Chief Finance Officer for this purpose.
Progress payments	Non SAP approval by two people, each of whom have been nominated for this purpose by the responsible General Manager
Statutory and other long-term obligations where there is no ability to exercise discretion to spend (including Recurring Charges).	<p>Non SAP approval by two people, each of whom have been nominated for this purpose by the responsible General Manager.</p> <p>Available only for transactions specifically approved by the Chief Finance Officer, where contractual arrangements are already in place. Includes network and transmission charges, long term water agreements, rates and taxes.</p> <p>These transactions may be established as contracts in SAP or a purchase order / corporate payment may be raised directly without the requirement for a requisition approved by a financial delegate.</p>
Project Expenditure (previously approved under Financial Delegation)	CEO – Unlimited GM - \$10m Level 4 - \$5m Level 3 - \$2.5m Level 2 & 1 - Nil