

Minutes

Electricity Connections – Governance Committee Meeting #9

Time and date: 2.00-3.30 pm, 7 May 2020

Location: Through Zoom channel

Committee Members Present

Name	Organisation	Name	Organisation
John Hamill	Essential Services Commission (Chair)	Sarah McDowell	Essential Services Commission
Stan Krpan	Building Victoria’s recovery taskforce	Justin Betlehem	AusNet Services
Matt Thomas	Powercor	Chris Masson	Jemena
Paul Cassidy	Victorian Planning Authority	Adam Gellie	United Energy
John Forbes	Urban Development Institute of Australia (Victoria)	Emily Young	Property Council of Australia

Committee Support

Aaron Yuen – Essential Services Commission

Merryn Wilson – Essential Services Commission

Felix Karmel - Essential Services Commission

The chair welcomed participants to first virtual Governance committee meeting. The chair then introduced Stan Krpan to the participants and explained that he was a co -chair of the newly formed - Victoria's building recovery taskforce.

Agenda items

Service Improvement Commitment and Performance Reporting Updates

United Energy

United Energy said that had 8 residential subdivision jobs and that these connections weren't a big part of United Energy's work. United Energy said that on average they issued terms and conditions within 4 days, approved designs within 15 days and issued practical completion within 8 days.

United Energy explained that as audits are contestable, they don't record audit times. They added that they had begun to redesign portals for projects and connections to mirror those used by CitiPower/Powercor. Further, United Energy stated that it had bought back in house its contestable works team to provide a better service to customers.

Powercor

Powercor reported on its performance data and said that master plan reviews were taking on average 11 days based on 2020 data against a target of 10 days, and that while this target wasn't quite met, this was an improvement on last year's average of 16 days. Audits have occurred within the target range of 5 to 8 days. Design reviews have on average met the target of 20 days and issuing practical completion has on average occurred within 1.7 days against a target of 10 days. Powercor added that there was little demand for the 20 day 'tie-in' process, however 97 per cent of 'tie-ins' occurred on the date that was agreed between the developer and Powercor.

AusNet Services

AusNet Services reported that the current conditions had delayed the go live date of its developer website and interface till the end of May. AusNet Services also reported on several performance measures they stated that year to date design approvals were averaging 9.4 days against a target of 10 days, network audits were completed within 10 days on 94 per cent of the time. They added that the bushfires and holidays had caused the January number for that measure to not meet the target. AusNet Services said NMI creation was occurring within 4.7 days against a target of 2 days because of resourcing issues and that metered connections were occurring within 9.4 days against a target of 10 days. AusNet Services added that they do not measure time for tie- ins because it is up to the contractor to arrange tie-in after AusNet Services issues a permit.

Jemena

Jemena reported that it had no specific target for reviewing master plans. This is because there a number of stages where master plans are reviewed. Nevertheless, Jemena estimated it took about 15 days to review a master plan. Jemena added that design approvals take on average 20 days

and that this time has been influenced by the recent restructure and resourcing constraints. Jemena stated that because construction audits were contestable there was no performance measure. Nevertheless, Jemena had experienced service providers returning audits by a due date 100 per cent of the time. Jemena also said that as tie-in is contestable it does not see tie-in requests and therefore the times requested and taken for tie-in. Jemena concluded by saying that it offers a 12-week complete construction from acceptance arrangement and that in 95 per cent of cases it meets this timeframe.

Technical standards committee – Powercor

Powercor reported that the chair of the Technical Standards committee had circulated a draft standard to the working group for comment by the 29 May. Feedback would then be compiled and circulated to the team by 5 June, with a view to holding a subsequent workshop later in June. Powercor added that given the situation the plan was fluid and some aspects of the project might be difficult as face to face meetings to review big plans on tables would be necessary. Nevertheless, the Committee had completed what it could and was only fractionally behind schedule.

Emerging issues

The Chair asked whether there were any emerging issues that the committee should be aware of.

United Energy commented that with more people working from home there was a heightened awareness about planned outages. Further, United Energy had begun to incur additional costs to maintain supply during outages by hiring gensets, installing mid-span isolators and undertaking critical maintenance. United Energy reported that they were exploring the trade-off between the value (cost) of planned outages for new connections and the numbers of existing customers affected.

Jemena also confirmed concerns about planned outages and that it reviewed planned outages 48 hours before they occurred. They added if there were complaints, they would consider cancelling the works. Jemena reported small numbers of customers negotiated to use gensets for use through outages.

United Energy reported a slowdown down in pole to pit work by about 30 per cent, however, there didn't appear to be a slowdown in larger projects yet.

The Urban Development Institute of Australia (Victoria) reported a backlog of stages settling now. However, future sales have fallen off a cliff and this will impact later in the year.

United Energy asked whether there were any good indicators of future development levels.

The Urban Development Institute of Australia (Victoria) reported that they attended a virtual meeting facilitated by ANZ. At this forum ANZ predicted a downturn exacerbated by declining migration resulting from closed borders.

Jemena commented that they expected to see higher numbers of customers defaulting on their bills particularly when governments reduce financial relief to those affected by COVID-19.

The Urban Development Institute of Australia (Victoria) raised concerns that reducing disruptions could prevent timely tie-ins, which would in affect builders who need power tools to build homes.

The chair asked whether there would be a greater effect on customers living in infill areas of disruptions when they are working from home.

Jemena commented that they work with developers to help ensure that tie-ins don't affect existing customers. They added that typically new developments are connected to their own radial backbone and only if existing customers are connected to that backbone will they be affected. In these events Jemena works with affected customers to ensure they are well notified.

The Property Council of Australia asked whether COVID-19 was causing supply issues that are impacting projects.

United Energy reported no real supply issues. However, some materials are sourced from China, but United Energy are in good shape.

Jemena reported that the bushfires created some shortages of wood poles. But this was addressed by sourcing concrete poles. Jemena did report some delays with sourcing some material from China and Germany.

Building Victoria's recovery taskforce

Stan Krpan, co-chair of Building Victoria's recovery taskforce gave the committee an overview of the taskforce's role. He began by saying the taskforce's terms of reference could be found on the Department of Environment Water Land and Planning's website. The taskforce will be overseen by the Treasurer and the Minister for Planning. He added that his fellow co-chairs were Roger Teale and Jude Monroe.

The role of the taskforce is to provide advice to government about how to keep building and construction sectors operating and prospering in the current difficult climate. He added peak bodies and unions were doing a great job assisting in this. The taskforce has three working groups and the third working group is most closely aligned with the work of the Governance committee. This working group is chaired by the Urban Development Institute of Australia (Victoria) and the Housing Industry Association.

The taskforce meets weekly with Minister and the Treasurer who want to see Victoria open for business and industry prospering. But this sentiment is not felt by all on the ground. As a result, the taskforce is setting up a fast track planning process. So far, a range of projects have been through this process including social housing and precinct structured plans. Anything that can be done to expedite development is appreciated.

The working group raised statement of compliance as a significant issue and has taken on all the Office for the Commissioner of Better Regulation's recommendations in their reform program

Receiving statement of compliance is a traditional bugbear and can cause delays. The working groups have found some companies have been repeatedly named as causing delays to receiving statement of compliance. The co-chair of the taskforce acknowledged the great work by the Governance committee, but felt it was important to know where the committee is heading next. He added some of the current voluntary improvements but could be plateauing.

The Urban Development Institute of Australia (Victoria) concurred with the taskforce's co-chair that receiving statement of compliance was a concern. They noted that they have seen Powercor AusNet Services make improvements and it was time to get the improvements nailed down.

United Energy noted a lot of work had gone into implementing the initiatives. Powercor added the statement of compliance process was at end of quality checks on construction and that they were not seeing improvements from industry in quality despite the risk quality plays in delaying developments and potentially increasing debt. United Energy noted that statistics showed all distributors were showing improvements, but initiatives needed to be closed out. Powercor felt improvements were not plateauing rather they were continuing. They added they haven't seen the development begin to manage their own risks.

The Victorian Planning Authority noted that streamlining growth was a two-way street and that it would look at what was working well and what could improve. Then it may consider what things it could do further down the track.

The Urban Development Institute of Australia (Victoria) stated that industry has a big part to play. They acknowledged that Powercor had done a lot of work in relation to improvements. The Urban Development Institute of Australia (Victoria) stressed that issues appearing at the end of a project often are result of processes at the start of a project. For example, the master plan process is very convoluted and sometimes work starts before master plan is completed. Other big issues are giving civil contractors access to standards and training these contractors in how to build to them. They added that the work of the technical standards committee is part of the way forward in this area. This work includes harmonising standards so as contractors are less likely to be caught between different standards of different authorities. And finally, sometimes it is difficult to meet distribution business requirements, but industry is working through that.

The Property Council of Australia commented that industry do more to meet standards at early stages of a project. Powercor added that to begin construction before designs are prepared or approved goes against the Safety Act and that it was important to follow the process. The Property Council of Australia added an important aspect was clear and defined deadlines to keep track of progress. United Energy noted there were certain timelines and hold points that are kept to in contestable works to manage risk. They suggested if developers wanted to reduce checking then they could consider taking on the ongoing liability to manage the operation of the asset.

United Energy noted the volume of work is affecting the quality of the work done civil contractors. This is isn't helped by a lack of skilled and qualified resources. Further, project managers do not appear to have a lot of authority over civil contractors. United Energy suggested developers

contracting structures could better reduce risk. The Urban Development Institute of Australia (Victoria) noted eight or nine parties were on site and agreed contracting structures could help mitigate risk. United Energy offered to share a document on taking more control on timeframes and quality if that would be helpful, noting distribution businesses control of the standards. They added a lot of risk can be mitigated at the design stage and that the most effective designs were in 3D and even 2D.

The co-chair of the taskforce commented that it was very useful to hear two sides of the story. And that the commission's work on the distribution code should strike the right balance. **The co-chair also requested a copy of United Energy's document on improving quality and timeframes to share with the other co-chairs.**

The chair of the governance committee offered to meet and give a briefing on the work of the governance committee to the taskforce.

Making improvements sustainable

Commission staff gave an overview of performance reported by distribution businesses for the second half 2019 against the first half of 2019 and stakeholder estimates of performance for the period 2017-2018.

Commission staff then gave a presentation on potential options to make the voluntary improvements in the management and timeliness of negotiated connections sustainable. A copy of the presentation can be found on our website along with these minutes.

Commission staff asked participants for their views on three high level options the options were:

1. Public reporting like the voluntary reporting being done under the Service Improvement Commitment
2. Set regulated connection timeframes with penalties. Public reporting would also be required
3. Obligation to maintain timely connections. Public reporting would also be required.

Participant views on options

United Energy agreed that it was important to keep the momentum going and finish the project off. United Energy asked whether the committee would like to see greater improvements in the timeliness of connections. Commission staff commented it was more about maintaining transparency and clarity in reporting. United Energy responded by saying CEOs had committed to public reporting and would ensure that their businesses would follow through and that the commitment for voluntary reporting could be extended. United Energy added that going forward performance measures would need to be better defined and reporting made more consistent across the distribution businesses.

The Urban Development Institute of Australia (Victoria) stated that predictively they would like to see regulated timeframes. This is because the tyranny of time not now but maybe in 2 or 3 years could see distribution businesses lose focus on working to timeframes. The Urban Development

Institute of Australia (Victoria) also agreed that now there was good momentum toward improving timeframes.

The Chair asked whether it was more important to have specific timeframes or average performance?

The Property Council of Australia responded by saying that specific timeframes give developers more certainty and that was important because it helped mitigate cost risks. They agreed timeframes were not uncommon in other contracts entered into by property developers. The Urban Development Institute of Australia (Victoria) agreed that specific timeframes were more important.

The Chair added if certainty is important then it might mean timeframes are slower so as a high percentage of projects meet the timeframes and what's left is a level of exception.

Powercor commented that this committee had brought industry together and that both parties were learning more about the others challenges. They felt that moving to regulated timeframes would move away from a collaborative to a transactional approach and it would be more about meeting a target than good outcomes.

The Urban Development Institute of Australia (Victoria) added that developers had moved to option2 contracts because elements are contestable, and this gives developers more control over timelines.

Commission staff asked whether regulated timeframes would apply to all projects and if so, how would more bespoke projects be dealt with.

United Energy explained that large building projects were often bespoke and that there was room to negotiate specific timeframes. Customers sometimes paid premiums to have things expediated. United Energy added projects with issues were usually ones where quality was poor. United Energy agreed with Powercor that option 1 offered more flexibility and overtime option 2 would become more transactional. For example, instead of being more flexible distributors would want to see developers had done all their quality checks before a distributor would begin to do their checks.

Powercor gave an example where 34 per cent of designs have errors corrected by Powercor's checkers and then the designs pass through. In the past things were more adversarial and designs would be passed back. They added that timeframes could mean things were passed back rather than moved forward.

The Property Council of Australia stated regulated timeframes should accommodate achievable industry standards and not be about penalising standard industry practices or restricting collaboration. These timeframes are more about preventing the exception rather than proving the rule. They added there were opportunities within contracts to meet different targets or expediate steps and people can absorb the costs of these within their projects. But there comes a point where delays are unacceptable.

The Chair noted if we adopt standard timeframes and they are achieved then we had two ways of resolving the dispute. They are a dispute resolution process or automatic penalties. But if we apply penalties, we need to have reason to believe that the fault lays with the distributor. To do this we would need to do some sort of root cause analysis. The Chair asked how this would be resolved in an effective and timely way. The Urban Development Institute of Australia (Victoria) –commented that it is more than we have got at the moment. The Property Council of Australia added that there were comparable contracts that VCAT could apply so establishing a threshold shouldn't be that onerous.

Jemena stated if a distributor was performing poorly, a penalty wouldn't make a connection happen any quicker. But over the longer term they would try and improve. They agreed that more accountability on both sides would be beneficial. But added set timeframes may not achieve what people may think. The Urban Development Institute of Australia (Victoria) noted there were no incentive on distributors other than goodwill to improve. Jemena responded by saying there were plenty of incentives outside of the Electricity Distribution Code to drive continuous improvement for the National Electricity Rules and other regulatory channels. The Property Council of Australia stated for ongoing repeated delays there should be penalties because the financial risks lay with the developer. Powercor stressed that consideration needed to be given to any unintended consequences of option 2.

The Chair stressed at this stage the commission was just exploring options and looking at the risk trade-offs of each option.

The Property Council of Australia added that if we were considering option 2 it would be about addressing undue delays not where best efforts are being used. Undue delays could be a result of things like under resourcing.

AusNet Services stated that option 3 was reasonable because it reflected the work the distributors were already doing to meet more with developers, create practical outcomes, maintain focus and explain efforts. Further, this option could strike the right balance between a transactional approach that may not improve times and just reporting numbers.

The Property Council of Australia and the Urban Development Institute of Australia (Victoria) sought more clarity about option 3.

The Urban Development Institute of Australia (Victoria) added that some of the solution is making steps contestable or putting parts of the process online as Powercor have done. These help to mitigate the unknowns. However, frustrations remained about not knowing when an audit would happen, or consent would be received once audit was completed.

The Chair concluded by thanking everyone for a robust and useful discussion.

Actions from the meeting

United Energy to provide a copy of document on improving quality and timeframes to share with the committee.

The chair of the governance committee to give a briefing on the work of the governance committee to the taskforce.

Next meeting

Given the currently changing public health situation, the next Governance Committee meeting could still be facilitated over the internet. The next meeting will be held on Thursday 16 July 2.00 – 3.30 pm.