



Hon Lily D'Ambrosio MP

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Attention Energy Division
Essential Services Commission
Level 37, 2 Lonsdale Street
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Ref: MBR036767

Re: Essential Services Commission 2018, Electricity Distribution Code - Review of voltage standards for bushfire mitigation: Draft Decision, 22 May 2018 – Submissions of the Powerline Bushfire Safety Program

On behalf of the Andrews Labor Government, I am pleased to make these submissions to the Essential Services Commission's (Commission) 22 May 2018 Draft Decision, proposing amendments to Victoria's Electricity Distribution Code (Code). The Draft Decision is the result of the Commission's review of voltage standards for bushfire mitigation and proposes amendments which are, among other things, intended to enable Remote Earth Fault Current Limiters (REFCL) to comply with the Code when operating for bushfire risk mitigation.

The phased deployment of REFCLs by major electricity companies at 45 zone substations in high bushfire risk areas is a crucial piece of the Powerline Bushfire Safety Program (PBSP). The PBSP was established in December 2011 to implement the Victorian Bushfire Royal Commission's (VBRC) recommendations 27 and 32. The deployment and operation of REFCLs addresses fire risks associated with Victoria's 22 kilovolt polyphase electric line distribution network, encompassing 61,863 kilometres of high voltage lines. Those fire risks are well known: 70 per cent of all electrical faults occur on the 22 kilovolt supply network, which has been responsible for over two thirds of bushfires caused by electrical faults in Victoria. The successful deployment, and operation, of REFCLs is critical to delivering the bushfire mitigation measures committed to by the Victorian Government in response to the VBRC's recommendations.

General Comments

I acknowledge the Commission's work in developing the Draft Decision. Appropriate amendments to the Code are needed to ensure that REFCLs operate as intended and deliver improved bushfire safety outcomes.

However, the Andrews Labor Government is committed to ensuring that Victorian consumers do not shoulder a disproportionate share of the cost of network upgrades and operational changes needed to deliver on the BPSP. It is with this principle in mind that I wish to stress that Victorian consumers must not pay a significant share of the cost of upgrades required to protect high voltage customers' (HV Customers or HVCs) networks under REFCL operating conditions. Most HVCs are private, commercial enterprises; upgrading their electricity sub-networks is but another cost of doing business that such enterprises may elect to absorb or pass through to their customers. The Government expects HV Customers, not electricity distribution businesses or their ordinary customers, to be responsible for upgrading their sub-networks in order to operate during REFCL conditions.

Specific Comments

With the foregoing general principles in mind, I offer the following submissions to specific provisions of the amended Code.

(1) Effective Date of Code Amendments – cl 1.2

As proposed, cl 1.2 provides that the Code takes effect one week after issuance of the Commission's final decision. It is my understanding that the distribution businesses support the proposed Code amendments but that some have expressed a preference for delaying the introduction of the Code amendments. By delaying the Code amendments' effective date, distribution businesses appear to be motivated by a desire to maintain control over the design and delivery of HV Customers' sub-network solutions. In contrast, by making the changes effective immediately, individual HV Customers will be responsible for upgrading their sub-networks to make them ready for REFCL operation without delay.

Accordingly, I support the Commission's proposal that the proposed amendments take effect one week following the issuance of its final decision. For HV Customers within REFCL tranches two and three, this should not impose a hardship as the distribution businesses are not obliged to start deploying REFCLs until after 30 April 2019 (for tranche two) or 30 April 2021 (for tranche three).

(2) HVCs' Obligation to Coordinate Upgrades with Distribution Businesses – cl 9

The proposed Code amendments do not change the respective obligations of distribution businesses and customers to share network-related information with one another. Clause 9.2 deals with the customer's obligations to advise the retailer or distribution business, as soon as practicable, of any changes that broadly affect the supply of electricity to the customer. It is not altogether clear, however, that cl 9.2 includes changes made by HV Customers to their sub-networks in order to enable them to operate safely and reliably during REFCL conditions. To eliminate any uncertainty on the matter, I recommend adding a sub-clause to 9.2, such as:

- proposed change to wiring or plant or equipment in a *business customer's* electrical installation in order to operate safely and reliably during REFCL conditions.

The suggested addition should help to ensure that HV Customers and distribution businesses coordinate more closely with respect to the implementation of the PBSP's REFCL installation program.

(3) Risk of Loss Properly Rests with HV Customers – cl 16(c)

The Department of Environment, Land, Water and Planning (DELWP) unequivocally supports the proposed amendment to cl 16(c) of the Code. The proposed amendment makes it clear that the risk of loss if HV Customers fail to make appropriate upgrades or changes to their electrical sub-networks to operate under REFCL conditions falls on the HV Customer – not the distribution business. The proposed amendment resolves lingering questions about the liability of distribution businesses that were expressed during the Australian Energy Regulator's (AER) review of Contingent Project Applications (CPAs) for funding associated with implementing tranche one of bushfire mitigation through REFCL installations. By letter dated 17 August 2017, I advised the AER that I understood that "there are no liability concerns for the electricity distribution businesses for breach of the nominal voltage variation section (4.2.2) of the Code as a result of REFCL operation". However, the AER's August 2017 final decision regarding tranche one REFCL installations noted (at p 6) that the AER "accepts the position of the Victorian distribution businesses that they are liable under the [Code] for adverse effects to HV customers as a consequence of REFCL operation". The proposed amendment makes it clear that the distribution businesses are not liable under the Code in such circumstances, consistent with my previously expressed view.

Conclusion

Again, I wish to thank the Commission for its work on these amendments to the Code. If you would like to discuss any of the points raised in this letter, please contact Lorna Mathieson, Project Director, Energy Programs in the Department of Environment, Land, Water and Planning, on [REDACTED] or [REDACTED].

Yours sincerely

[REDACTED]

Hon Lily D'Ambrosio MP
Minister for Energy, Environment and Climate Change
Minister for Suburban Development

21 / 6 / 2018

cc: Dr Ron Ben-David, Commissioner and Chair
[REDACTED]