

18 January 2021

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Dear Carolyn

**Re: Ensuring Timely Electricity Connections to New Housing Developments**

Thank you for your letter dated 24<sup>th</sup> December 2020 regarding the Victorian Government's development of additional licence conditions for distribution businesses. We understand that these conditions will set regulated timeframes for the completion of stages of negotiated electricity connections to new housing developments, which is a priority matter for the Victorian Government.

We have a continued focus on improving the connections process, with some recent improvements, including:

- Reducing targeted design approvals timeframes from over 20 business days to 15 business days;
- Ensuring 95% of network audits are performed within 10 business days;
- Responding to developer concerns that one network auditor was not transparent and appointed two independent network auditors via a tender;
- Consolidation of all interfaces with housing developers to one team; and
- Improving communications and transparency with developers that are responsible for completing the negotiated electricity connection works.

An ESC decision in October 2020 requires distribution businesses to engage with developers to develop a customer service standard. In late 2020 AusNet Services engaged with housing developers and industry associations to develop a set of service standards to resolve issues causing delays in the connections process and enable performance reporting. The findings and outcomes of this process have been discussed with DELWP officers. Performance reporting will be published on our website by 28 February 2021. These standards will be discussed and refined over time through our Developer Consultative Committee established to meet the requirements of the ESC's decision, which will meet quarterly. We consider that this ongoing, meaningful engagement should drive further improvements in the connections process, contributing to the outcomes sought by the Victorian Government in this review.

Responses to the specific questions raised are provided in the Attachment to this letter. Please contact Justin Betlehem on 0433691111 with any questions in relation to this letter.

Yours sincerely



A handwritten signature in black ink, appearing to read "Tom Hallam", written in a cursive style.

Tom Hallam  
**General Manager Regulation**

## Attachment – Response to Specific Questions Raised

### **The stages of AusNet Services' negotiated connection processes for new housing developments that AusNet Services considers may be suitable to be subject to regulated timeframes;**

As much of AusNet Services' process for new housing development underground reticulation is contestable with the contractor selected by and responsible to the developer, only limited parts of the connections process is in AusNet Services' control. The developer's contractor is often responsible for designing the underground electrical reticulation in the new housing developments, delivering the works to our quality standards including conducting pre-audits, and after the satisfactory completion of AusNet Services appointed audits the developer's contractor can tie-in the electrical connection. For example, in 2020 we received requests for connecting 8,923 underground reticulations for new housing developments. Contestable contractors are designed 92% of lots and constructed 97% of lots. This is a key difference in our process compared to other Victorian Distribution Businesses.

With this in mind, the following stages are suitable for being subject to regulated timeframes:

- design approval for residential housing developments;
- preliminary network audits for residential housing developments; and
- final network audits for residential housing developments.

### **The timeframes for these stages that AusNet Services considers would be reasonably achievable as a regulated timeframe. DELWP would appreciate views on both maximum timeframes in respect of each relevant stage and target or average timeframes;**

New housing developments often take over 200 business days to complete from initial application to final energisation and acceptance of assets with developers undertaking the responsibilities for the design and construction of network assets. This timeframe is mostly allocated to activities that are within the developers control and outside our control, including contestable design, Local Government approval, construction and resource mobilisation.

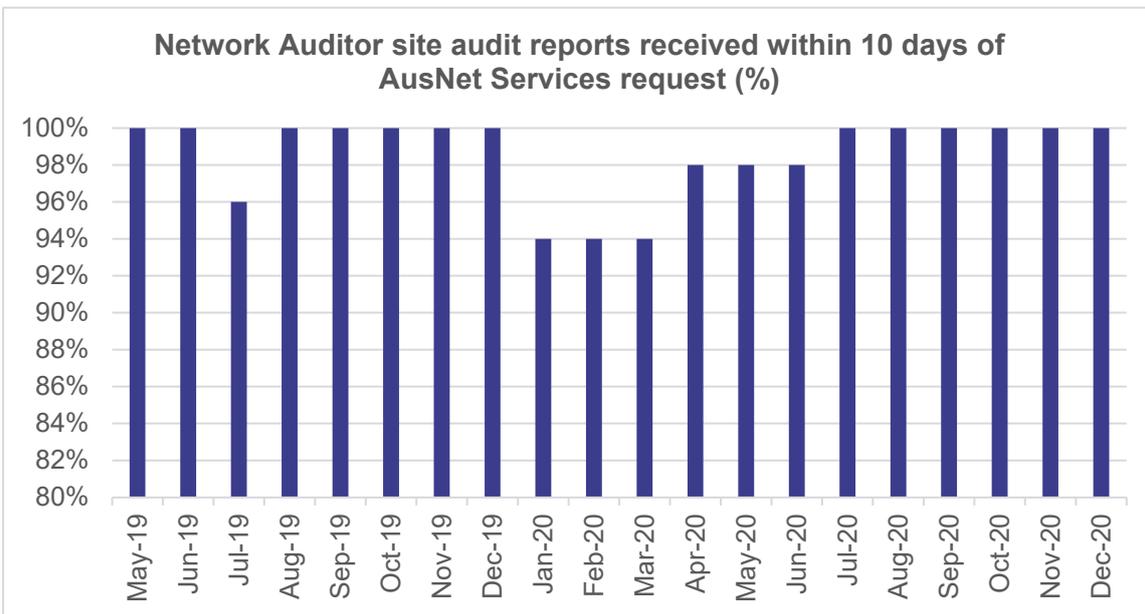
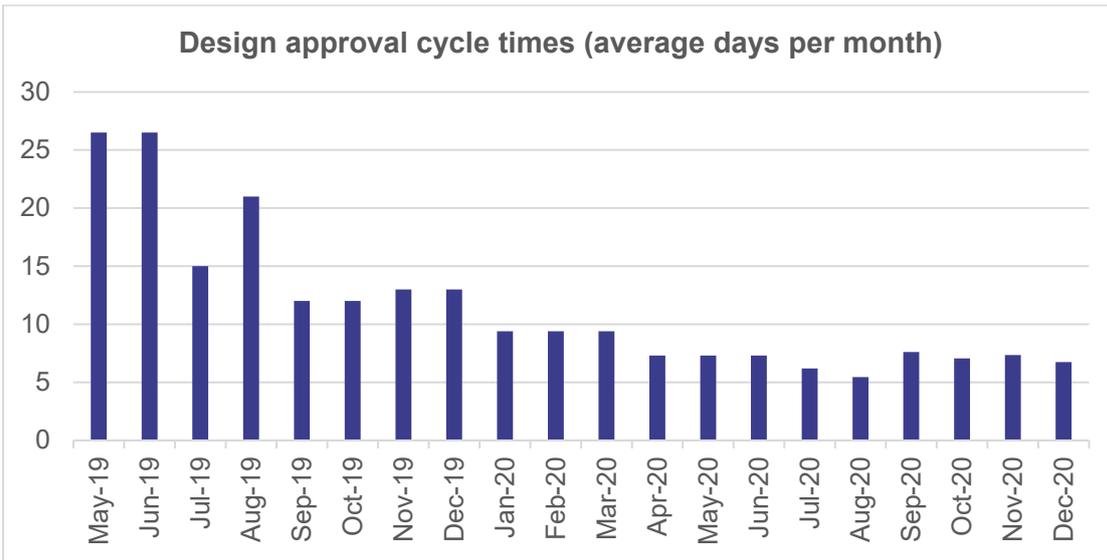
Through our engagement with developers, they confirmed their focus areas for performance metrics for AusNet Services were around design approvals and network audits.

Therefore, AusNet Services considers the timeframes outlined in our Service Standards may be regulated, include:

- design approvals within a maximum of 15 business days; and
- 95% network audits within a maximum of 10 business days.

### **Any existing data on actual achieved timeframes for these stages, including the distribution of these timeframes;**

As identified in the previous questions we recommend the timeframes from our Service Standards as potentially being applicable to regulation. Our historical performance is shown in the below diagrams.



**Any exceptions from regulated timeframes (including ‘stop the clock’ provisions) that AusNet Services considers would be necessary;**

Regulated timeframes should not include delays that are due to the developer’s contractor failing to meet technical and safety requirements whether they are related to the design, construction or close-out and energisation of works.

While we are committed to work with developers to continually review audit failure and the root causes of these failures, we need to ensure the safety of our customers and staff. Therefore, we cannot accept dangerous or unreliable assets or other failures that increase likelihood of a safety incident (e.g. incorrect dial-before-you-dig information).

We believe it is also necessary to make provision in any regulation of unforeseeable events (i.e., Force Majeure event) that may inhibit AusNet Services (or a developer for that matter) to perform their duties as per any prescribed regulatory requirement and timeframe. In developing a rule for such an event, we see it prudent for this provision to consider:

- Rules on providing notices to affected parties of the event (e.g., within 24hrs of event occurring);
- Provision for the party (distributor or developer), to take best endeavours to remove, overcome and minimise the effects of the event as soon as practicable;
- Renegotiation of timeframes; and
- Non liability for non-performance or delay.

**Any significant benefits, costs and risks that may result from regulated timeframes that AusNet Services considers the Minister and DELWP should be made aware of;**

Regulated timeframes for design assessments and requesting network audits should complement our service standards developed with the ESC and developers. However, there is a risk associated with additional regulated timeframes that set an end-to-end timeframe. This is an important consideration since the developer's contractor typically designs and constructs developments in our network area to meet reasonable safety and technical quality standards. Regulated timeframes must not limit our ability to work with developer's contractors to deliver quality underground electrical reticulation by setting end-to-end timeframe for the land title release or electrical connection. Applying our regulated timeframe to the developer's activities would not help in the delivery of quality assets and may necessitate a different service delivery model.

Additionally, the regulated timeframes have the potential to result in higher connection costs if the timeframes require significantly faster works management processes and higher levels of resourcing to mitigate the risk of breaching these conditions as a result of cancellations due to weather events or sick leave impacting performance.

**Any other matters that AusNet Services considers the Minister and DELWP should be made aware of in developing the licence conditions.**

In developing the changes to these licence conditions, the regulated timeframes should be limited to new housing developments. Non-housing developments are significantly more complicated with higher capacity assets and generation assets, therefore, the local distribution network may be the only party capable of undertaking some works. Bespoke designs and assets with long acquisition timeframes would make a regulated timeframe for these other negotiated connections impractical.

**AusNet Services' advice on how the performance metrics it has developed as part of the customer service standard may be reflected in any regulated timeframes under a Ministerial Order.**

We are working with the ESC and developers to deliver improvements to the connections process and communicate our benchmarks. We have committed to clarify parts of our connection process and provide a clear option to work with us to resolve issues that arise during the process.