



15 March 2021

Jess Young
Acting Director, Energy Markets and Networks
Department of Environment, Land, Water and Planning
By email: stakeholder.consultation@delwp.vic.gov.au

Cc: Irene Oakley
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By email: Irene.Oakley@delwp.vic.gov.au

Dear Ms Young,

UDIA Victoria Submission: Regulating electricity connections for new housing developments

The Urban Development Industry of Australia, Victoria Division (UDIA Victoria) is a non-profit advocacy, research and educational organisation supported by a membership of land use and property development organisations, across the private sector and Victoria's public service. We are committed to working with both industry and Government to deliver housing, infrastructure and liveable communities for all Victorians.

UDIA Victoria welcomes the opportunity to provide a submission to the Department of Environment, Land, Water and Planning (DELWP) as part of its initiative to address delays in connecting electricity to new housing developments, potentially through licence conditions regulating timeframes for these connections, or stages of the connection process.

Supply of electricity to new developments and new home buyers, is a critical step to unlocking new greenfield title release to facilitate new home building. Electricity connection is the final requirement in the land development process before a lot is settled and a purchaser can take possession to start building their new home. Any time lost compromises this critical path and adds cost and delay to the land development process.

As UDIA Victoria has engaged closely with the Essential Services Commission (ESC) over several years with regards to the practices of distribution businesses that connect electricity to Victoria's new property developments, we recommend this submission be considered in parallel with our previous submissions to the ESC review of the timeliness of electricity connections, specifically the most recent, listed and hyperlinked below:

- [9 February 2021: Proposed customer service standards for distribution businesses](#)
- [11 August 2020: Improving the timeliness of new electricity connections](#)
- [May 2020: Post-Permit fast track process – Timely electricity connections for new developments \(submitted to the Victorian Government\)](#)

Issues for Consultation: Feedback in response to DELWP consultation paper

Question 1. What issues have stakeholders experienced relating to timeframes for negotiated electricity connections to new housing developments?

Lack of competition and accountability is at the core of the issues experienced by development industry stakeholders when dealing with electricity distribution businesses (DBs) for new property developments.



Electricity companies enjoy a lightly regulated, monopoly business environment when providing connections to new developments. There is insufficient competition or contestability in key areas of the process, ill-defined key performance indicators, ad-hoc monitoring and no penalties for poor service practices. In the absence of established accountability measures or a competitive operating environment, there is little to no incentive for DBs to lift service performance. Similarly, there is no avenue for the development industry to hold electricity providers accountable for poor service or unreasonable and costly project delays.

In raising these issues, it would be amiss of UDIA Victoria not to recognise the significant improvements that some DBs have made over the past two years in response to industry concerns. They have become markedly more customer-centric and this is a very welcomed advancement. However, there has been minimal improvement in practical issues affecting the development industry since the 2018 electricity connections process review, when the Victorian Government asked the ESC to provide advice on ways to ensure new property developments receive electricity connections within certain time frames. UDIA Victoria members report ongoing and repeated issues that cause serious and routine delays on most stages in every subdivision. This is highly frustrating and damaging for our industry and our economy and a serious impediment to Victoria's productivity. A sample of issues currently being encountered by our members is outlined in Attachment 1 to UDIA Victoria's submission to the ESC, dated 11 August 2020, [available here](#).

In response to these issues, UDIA Victoria submits that there are three key concerns with current practices including that they:

1. Delay and even halt the timely delivery of affordable land to meet community demand;
2. Delay the ability of new home buyers to take possession of their lots and commence building a new home; and
3. Do not enable the development industry to deliver the planned infrastructure programs in acceptable timeframes.

Whilst the electricity DBs have committed to a voluntary Service Improvement Commitment, and have commenced down the path of improvement, there remains much to be done before tangible results are consistently realised across the network of electricity DBs. UDIA Victoria therefore recommends that a modern, progressive and strong legislative and regulatory framework is implemented to provide a properly regulated environment for electricity connections for the coming decades.

Question 2. How should timeframes for negotiated connections (or stages of connections) to new housing developments be regulated? Are the timeframes included in the responses from distribution businesses appropriate?

The ESC released an issues paper in June 2020 exploring four proposed approaches to maintain electricity distribution businesses' focus on timely electricity connections for new developments in greenfield areas. Based on four proposed reform options the ESC put to stakeholders as part of the review, UDIA Victoria strongly recommends the Victorian Government pursue the regulation of timeframes with associated penalties for non-compliance. Regulation should consider the following:

1. Make reporting a requirement of distribution businesses, that recognises the monopoly standing of distribution businesses and the impact of their performance on the development of new housing.
2. Legislate the requirement for consistent, well defined performance measures, timeframes and targets to be set annually through regulations or directions by the Minister for Energy.
3. Monitor consistent performance measures, timeframes and targets through the ESC on a quarterly basis and benchmark against distribution businesses.



4. Introduce mandatory reporting by the Minister for Energy to Parliament, of performance against the timeframes set through regulations or directions.
5. Set performance measures, timeframes and targets with the following at the forefront:
 - o Continuous improvement as a priority, rather than simply correcting poor past performance;
 - o A balance between driving performance improvement, increasing transparency and ensuring accountability;
 - o Emphasis on safety, quality and customer centricity throughout the process; and
 - o Improving the relationship, collaboration and commerciality between distribution businesses and customers throughout the process.
6. Reporting should better reflect the development process – specifically including the Statement of Compliance point in the reporting framework.
7. Co-create and agree industry standards of application documentation so that timeframes are more likely to be met as the quality of applications are improved through industry standards.
8. Introduce graduated financial consequences when timeframes are not met.
9. Make all electrical services contestable to drive competition and improved performance.
10. Properly invest in training and skills development in the sector through a program of Victorian Government and private sector funding partnerships to increase the skills and capability of the workforce.
11. Require the DBs to establish and publicise an internal dispute resolution and escalation process as a first point of recourse for customers where an issue arises.
12. Increase the role of the Australian Energy Regulator or establish an Industry Ombudsman to mediate complaints or issues of contention between a DB and customers, and increase awareness of the availability of these processes to customers.

With regards to the timeframes proposed in the responses from DBs, UDIA Victoria notes that different DBs have proposed different regulated timeframes, and different stages of the end-to-end process to be regulated. Overall, our feedback on the proposed customer service standards provided is that the timeframes are not nearly ambitious enough, and that shorter timeframes would be more appropriate, while still being achievable. You can find more detailed feedback in response to the proposed customer service standards for DBs in our submission dated 9 February 2021, [available here](#).

UDIA Victoria has subsequently put together a table outlining the processes to be regulated with timeframes as nominated by the respective DB, compared with a target timeframe that industry deems reasonable. Please find the table on the following page. In this table, we have recognised that Jemena has recently provided greater detail to the ESC regarding their proposed customer service improvements, including timeframes. We have therefore referred to the proposed Jemena timeframes in the table.

Table: Electricity Connection Timeframes – Proposed DB Timeframes Compared to UDIA Victoria Recommended Targets

Please note:

- All numbers refer to business days, unless otherwise stated
- Red text represents 'internal' performance target submitted to ESC, not included in submissions to DELWP
- Black text indicates regulated performance target as submitted to DELWP by relevant DB

Item	Metric	UDIA Target	Powercor		UE	Citipower	Ausnet Services		Jemena	
			Ave	Max			Ave	Max	Ave	Max
1	Offer Issued	20			20				40	65
2	Review and Approve Masterplan	20		80% x 10	10				15	20
3	Review and Approve Electrical Designs	15	16		20		90% x 15		15	20
4	Authority to Construct	4			10					
5	Review and Approve/Reject a correctly tendered Variation Request	2								
6	Review and Approve/Reject a correctly tendered Dispensation Request	10								
7	Review and Approve As-Built Drawings	3					3			
8	Conduct a Network Audit after having received a correctly completed request	5	6	90% x 8			4	95% x 10	5	10
9	Provide a Network Audit Report after Completion of Audit	24hrs								
10	Provide Authority to Tie-In	5			10					
11	Complete a Tie-In after having passed a Network Audit / submission of complete request	20 -30		20					30	40
12	Provide a response to a customer request lodged via an online portal	48hrs								
13	Provide SOC after successful Network Audit	2	3	90% x 5					5	10



Additional issues that have not been adequately addressed:

- The need for target dates to accommodate concurrency of tasks. For example, the public lighting layout approval for a staged plan can be approved subject to council approval, rather than consecutively. This would save considerable time in the electricity connections process.
- We consider there to be significant 'hidden' delays that have not been contemplated as part of this process. Below are some examples.
 - o The number of iterations of review. For example, if a customer is required to go through multiple design reviews and corrections, the 10-day business turnaround is applied each time. Over the life of a project, if the design is reviewed three times, even if for only minor amendments, then the total time spent assessing could blow out to 30 days.
 - o Waiting for the issuing of POs for an audit to proceed can be one of the biggest project hold-ups between having a completed project and being able to get SOC, especially when dealing with Jemena/UE.
 - o Confirmation of acceptance of minor construction variations on site, i.e the location of a joint moving less than 2.0m, can take 5 days to get approved – this is specifically an issue with AusNet.
 - o Drawing required to be split for Asbuilts requiring a separate revision to Asbuilts, routinely holds up the issuing of critical documentation (CRAB) to proceed with Audits delaying Precoms/SOCs by 1-2 weeks. Again this is primarily an issue with AusNet.
- There is a lack of department transparency within Powercor regarding the "Permit to work" application through the online portal, with no one routinely available to discuss issues.
- There are issues with the interpretation of standards by individual auditors. UDIA Victoria submits that there should not be individual interpretation around industry standards.
- Similarly, there are inconsistency issues around interpretation or review comments based on different drawing checkers.

Regarding the 'stop the clock' and exemptions processes, UDIA Victoria considers that it is reasonable that the DB should not be held responsible for delayed timeframes, and therefore may 'stop the clock' due to the below:

- o Missing documentation from SOC request package;
- o Faults or failures on assets during commissioning;
- o Incorrect or missing information provided for an audit request; and
- o Issues with accredited consultants contractors on Authority to construct request.

Beyond the abovementioned reasons, we do not recommend 'stop-the-clock' provisions are used.

Question 3. What are the benefits and costs associated with regulated timeframes for negotiated electricity connections to new housing developments? Are there any risks associated with regulated timeframes?

The economic impact of efficiency and timeliness in connecting electricity to new developments and new housing lots is profound. It unlocks land for the housing, building and aligned industries creating further jobs and stimulating the economy. Delays to compliance from the electrical authorities which are pervasive and hits most developments, hold up around \$100m in lot settlement revenue generated by our industry every week. By extension, another \$100m in home building work is consequently delayed every week.¹

¹ These figures are a high level estimation based on annual lot releases being between 15-20k per year and the financial value of completed lots being ~\$310,000.



Efficient and effective electricity supply and the completion of the subdivision process is of utmost importance to the Victorian economy. Delays in the present system are a very significant drag on economic activity. Increased accountability and efficiency in this system will deliver significant benefit to Victorian homebuyers and the Victorian Government through timely revenue receipts.

With regards to the risks associated with regulated timeframes, UDIA Victoria recognises that some DBs have engaged with UDIA Victoria and our membership to meaningfully address customer service issues. This ongoing collaboration has greatly improved relationships and we do not want the process of regulating timeframes to compromise the level of engagement and positive gains we have achieved as a result of this collaboration.

Additionally, we flag the need for regulated timeframes to be implemented in a way that does not mean the DBs lose focus on achieving optimal development outcomes, in order to meet timeframes. Similarly, it will be important to avoid creating a culture that encourages the meeting of bare minimum standards, especially if we experience future technological advancements, increased resources and innovations that make faster electricity connections possible.

Conclusion

UDIA Victoria thanks DELWP for the ongoing opportunity to provide industry feedback as you undertake the important work of realising tangible customer service improvements across the network of electricity distribution businesses.

We thank you for the opportunity to engage in this consultation process and we look forward to discussing the matters raised in this submission. Please contact Dr Caroline Speed, UDIA Victoria Policy and Research Director by emailing caroline@udiavic.com.au to arrange a suitable time to do so.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Angela Gaedke'.

Angela Gaedke

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