

18.01.21

Ms Carolyn Jackson
A/Executive Director, Energy Sector Reform
Department of Environment, Land, Water and Planning
By email: Carolyn.jackson@delwp.vic.gov.au

Dear Ms Jackson

RESPONSE TO REQUEST FOR INFORMATION REGARDING TIMELY ELECTRICITY CONNECTIONS TO NEW HOUSING DEVELOPMENTS

Thank you for the opportunity to be consulted on new licence conditions relating to timeframes for negotiated electricity connections. This initiative follows several years of significant growth within the development industry and several years of engagement, collaboration and effort by our team to achieve greatly improved connection efficiencies.

Collaboration between Powercor and industry over the past period has enabled a 47% reduction in the overall duration of new housing connection projects (time from project initiation to Statement of Compliance) from 364 days to 193 days. We are pleased to report that within this timeframe, the average number of days incurred for works undertaken by Powercor fell by 65% from 67 days to 23 days.

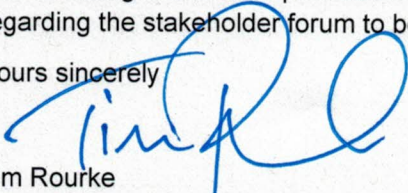
We recently submitted our customer service standard for greenfield negotiated electricity connections to the Essential Services Commission of Victoria (ESCV). Included in the submission is a table of agreed targets and improvements over a two-year period, as well as a commitment to collaborate on finding further efficiencies. These outcomes were developed through intensive engagement with industry representatives and have been supported by the Urban Development Institute of Australia (UDIA) and the Property Council of Australia (PCA).

We acknowledge the Government's intention to regulate timeframes and 'lock in' improvements and recommend these improvements be based on the same standards we have committed to the ESCV. These standards are now planned for delivery. While we have set up regular forums with industry to continue to find further improvements over the next two years, there is limited potential for further improvement of the type demonstrated over the last 2 years.

We wish to highlight CitiPower does not have greenfield residential sites within its network. We would propose there is no need to include a change to CitiPower's licence. Our following response therefore references Powercor only.

The following information provides our response to your questions. We look forward to your advice regarding the stakeholder forum to be held in late January 2021 to further discuss these matters.

Yours sincerely



Tim Rourke
Chief Executive Officer

POWERCOR RESPONSE

Suitable stages for potential regulation

Powercor's electricity connections process for greenfield residential sites involves multiple stages:

1. Masterplan review
2. Design review
3. Requested final audit (first audit)
4. Certificate of practical completion
5. Tie in (connection of new assets to electricity grid)

Development industry representatives have advised the highest priority activities relate to audit and statement of compliance (steps 3 and 4).

During the recent consultation, the industry representatives advocated for a shorter period between developer practical completion (usually based on local council practical completion) and the distributor consenting to the statement of compliance. Activities completed between these milestones include the final due-diligence auditing of infrastructure built by developers or their associated contractors, the developer's provision of final handover deliverables, and our acceptance of the handover deliverables. These are critical steps to assure the continued safe and sustainable supply of electricity to the premises to be constructed within the estate.

Timeframes

The following stages and targets as most relevant for potential regulation.

Table 1 - Powercor Key Stages

Activity	Description	2020 Target (business days)	2020 Achieved Timelines (Business Days)	2022 Target Timeline
Requested final audit (first audit)	Final due diligence construction audit undertaken by Powercor	8 days (average)	5.7 days (average)	Average within 6 business days (measured over a six-month period) <i>[Note: 90% to be completed within 8 business days (measured over a six-month period)]</i>
Review Certificate of Practical Completion	Time taken to review submitted asset handover documentation is complete and either accept (by countersigning the certificate of practical completion) or advise handover requirements are yet to be satisfied.	10 days (average)	1.7 days (average) 90% within 5 days	Average within 3 days (measured over a six-month period) <i>[Note: 90% within 5 business days (measured over a six-month period)]</i>

We have not included minimum and maximum times as they do not provide an accurate reflection on our process and because they are highly variable. For example, in special circumstances, when negotiated by a developer, we have completed certificate of practical completion reviews within one day, while in other cases the maximum may be high due to us working with a developer to help resolve an issue. It is for this reason that we have noted the 90 percentile results agreed with developers.

Exceptions and stop-the-clock provisions

We recommend exceptions and stop-the-clock provisions in order to ensure control of the necessary quality and safety of all new connections. These would be required when:

- the required documentation to allow audit commencement has not been provided by the developer or their contractor
- where a re-audit is required the clock would be reset.

If timeframes for the above areas are regulated, stop-the-clock provisions should be incorporated into the final construction audit process to ensure we are able to retain our ability to provide support and flexibility.

The final construction audit is a key due-diligence step in ensuring the assets being acquired satisfy the safety and reliability levels required for integration into the distribution network. It is therefore appropriate we conduct thorough due diligence on safety on behalf of all electricity consumers.

For each final audit stage, the clock starts when the audit is requested. The clock stops when an audit report has been issued by Powercor. In collaboration with developers, we have agreed that where audit outcomes do not necessitate a second (or re-audit), however rectification works are required in order to meet relevant standards, evidence of rectification work can be provided to Powercor via electronic means (e.g. email with supporting photos or documentation). Powercor will assess this evidence of rectification in a timely fashion.

The certificate of practical completion stage does not require a stop-the-clock provision. If the developer's submission does not satisfy all requirements for practical completion, then the stage will be rejected and a re-submission will trigger a new clock start.

We have already suggested a way forward to work with industry on a better path for the management of audits. This includes a more interactive system and bringing risks associated with audit outcomes forward. A key change we are also investigating is the potential to deliver the statement of compliance earlier in the process. We will be engaging with the development industry during our quarterly consultative committee to determine whether this is feasible.

A change in how consent to Statement of Compliance is provided would warrant a revision to the performance metrics suggested in Table 1. As outlined later in this response, we are concerned that introducing regulated timeframes may impede our ability to further modify and improve outcomes and process with industry.

Significant benefits, costs and risks that may result from regulated timeframes

Benefits

The measures recommended support our commitment to high standards of customer service as outlined in our response to the ESCV. Specifically, it meets the objectives of:

- continuous improvement and building effective business relationships between distributors and developers and their contractors to resolve issues that cause delays in the negotiated electricity connection process

- accountability and transparency about the time it takes distributors to complete certain stages or steps of the negotiated electricity connections process.

The timeframes recommended specifically address the steps developers have indicated are the priority for ensuring fast turnaround of our processes.

Importantly, the recommendations for exceptions or stop the clock provisions have the benefit of ensuring the necessary quality and technical compliance standards are met to keep new homeowners safe.

Ultimately, this is the main benefit of our commitment to developers and the ESCV – to provide safe, reliable and affordable power supplies to new homes in a way that ensures properties can settle and homeowners can move in as quickly as possible.

Costs

The recommended improvements in timeframes are achievable and supported by current business planning and budgeting under our 2021-2026 regulatory period.

If proposed timelines are further reduced or additional metrics introduced, our resourcing requirements would need to increase. These costs may ultimately be borne by electricity customers and/or developers.

Additionally, the stop-the-clock provision required for audit under regulated timeframes may require an upgrade to our current IT systems.

We would also expect the ESCV to introduce an external audit requirement which involve costs associated with the engagement of an auditor, IT changes to support the audit and staff time liaising with auditors and the ESCV.

Risks

While we understand why the Victorian Government is encouraging housing developments as part of its economic recovery plan, we believe the risks associated with regulation have the potential to outweigh the benefits and place an unnecessary burden on all electricity consumers. **We believe the policy intent of the Victorian Government is already being implemented, making regulation of timeframes unnecessary and a potential barrier to further innovation.**

Our current improvement plans are focussed on making it easier for developers (and contractors) to navigate through the connection process. A risk in regulating timeframes is that there will be a reduction in Powercor's ability to manage timeframes according to developer needs/priorities due to the regulated targets.

For example, during Powercor's current audit process we work with contractors to assist them to identify and rectify issues with constructed infrastructure. Regulation of connection timeframes will necessitate increasing focus on timeframes rather providing a quality service to our developers and contractors that ultimately assures a quality product for electricity customers.

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

Time period

As per the ESCV process, these timeframes were set on a 2-year period on the basis that we would continue to work with industry. Accordingly, the regulated timeframe should reflect that this is subject to further review with industry.

Incentives

Continuous improvement is best created if an incentive exists for distributors to not only meet but outperform targets.

Developers consulted for our ESCV standard supported the concept of both incentives and penalties for targeted performance. Accordingly, we encourage the Victorian Government to consider:

- What are the incentives if distribution networks outperform the average days targeted?
- What are the penalties if average days targeted are not achieved?

Ongoing engagement agreed

It is important to recognise the strong working relationship we have developed with developers and our ongoing commitment to continuous improvement to ensure an efficient connection process that does not compromise safety.

Mandated timeframes should not undermine the significant steps we have made in building relationships with developers. We believe the current processes we are developing with developers provide a better path forward that will deliver for all Victorians without additional costs or 'heavy stick' approach.

We've already agreed with the industry to ongoing engagement, as committed to in our ESCV response. We've also agreed to transparently report on performance and any regulated timeframes that would form part of regular reporting, and would willingly share this with the Department of Environment, Land, Water and Planning so as to ensure everyone's objectives are met.

Through collaboration between Powercor, developers and their contractors, a 47% reduction in the overall duration of new housing connection projects (time from project initiation to Statement of Compliance) from 364 days to 193 days has been achieved. We are pleased to report that within this timeframe, the average number of days incurred for works undertaken by Powercor fell by 65% from 67 days to 23 days.

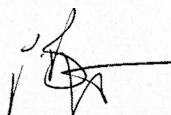
As demonstrated through our commitment and engagement with developers, we will continue to, explore and implement improvements to the timelines and process for connection.

Further consultation should therefore also consider how distribution businesses modify processes to improve outcomes once timeframes for stages are regulated.

Thanks and Regards,



Mark Clarke
General Manager
Electricity Networks



Peter Bryant
General Manager
Network Services