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Regulating electricity connections for new housing developments

Thank you for the opportunity to provide feedback on the 'Regulating electricity for new housing developments' consultation paper.

Overview

The Housing Industry (HIA) is Australia's peak residential building industry association. HIA members comprise a diversity of residential builders, including all Top 100 builders, all major building industry manufacturers and suppliers, as well as developers, small to medium builder members, contractors and consultants to the industry. In total HIA members construct over 85% of the nation's new housing stock.

HIA exists to service the businesses it represents, lobby for the best possible business environment for the building industry and to encourage a responsible and quality driven, affordable residential building and development industry. HIA is committed to working with all sectors of government to support a regulatory environment that facilitates growth in the economy, reduces red tape, and enables the delivery of affordable housing.

HIA Response

HIA would like to thank DELWP for the opportunity to respond to this important matter. Below are answers to each of the four questions in the Consultation Paper. Following these four questions you will note that HIA has also taken the opportunity to provide a broader commentary in relation to the culture and participation of electricity companies / distribution businesses as one of many stakeholders within the subdivision and development industry.

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

HIA represents the stakeholder group commonly referred to as developers and or builders. Often these stakeholders will convey to HIA the frustration they regularly experience relating to timeframes for negotiated electricity connections to new developments. These frustrations take their toll across many elements of the subdivision / development cycle. Most notably, HIA members identify protracted timeframes usually created as a result of negotiated electricity connections being the matter most likely to delay the issue of a Statement of Compliance or Certificate of Occupancy.

Protracted timeframes for negotiated electricity connections to new developments has many implications. Unnecessary increased cost is the most significant issue experienced. Due to distribution businesses not having a level of accountability for their inspections and sign off protocols this makes the task of achieving Statement of Compliance or Certificate of Occupancy difficult to manage creating increased costs due to the delays in land release and holding costs. This additional cost is initially borne by the developer / builder

though ultimately gets passed on to the first purchaser of a newly created lot, this is a preventable impact upon housing affordability.

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?*

Timeframes for negotiated connections must be regulated with an agreed objective that distribution businesses play a significant role in the delivery of new housing developments. Based on an agreed objectives strategies to be adhered to across all distribution businesses must be developed to ensure a degree of consistency in process and statutory timeframes.

There appears to be considerable differences in the responses from the various distribution businesses. Given these differences it is difficult to comment on what is appropriate as it is recognised each distribution business will have its own nuanced approaches to negotiated connections and commercial interest built in to the timeframes. Similar to other infrastructure / service providers that are agents of government, such as retail water companies, it would be of benefit to industry if, notwithstanding each distribution businesses each commercial interests, commonalities around the various connections stages, such as; requests, design review and offers and other ongoing stages could be agreed upon.

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?*

Regulated timeframes for distribution businesses to fulfil their obligations as an agent of government will provide much needed accountability and certainty as it is assumed statutory times will be built into the various stages. Process consistency among all distribution businesses should also be another positive outcome. Though without knowing the detail as to the regulated timeframes for negotiated electricity connections to new housing developments it is difficult to provide further comment regarding cost and risk.

4. *Are there any other relevant matters that should be brought to the attention of DELWP and the Minister*

As referred to earlier in this correspondence HIAs broader commentary in relation to the culture and participation of electricity companies / distribution businesses as one of many stakeholders within the subdivision and development industry is provide below.

HIA has long advocated for the need to address lengthy delays in connecting new housing developments to the power grid. Milestone stages in the subdivision process, such as Certification and Statement of Compliance, are greatly affected by having to wait for power companies consent. Often power companies are the last utility provider developers are waiting on to obtain consent leaving the power companies responsible, to a fairly large degree, for land supply lag. This is a very linear one stage at a time process and delays therefore result in protracted construction timeframes. Such delays impact housing affordability which unnecessarily increases construction costs.

There is a view within the development industry that to a large extent, power companies are allowed to operate in a relatively unregulated manner and with minimal auditing requirements leading to a lack of public accountability. In essence power companies have been able to write their own rules, which do not align with the timing, coordination and efficiency that the development industry requires. Power companies are agents of the government and must therefore be accountable though it would appear as though they have no particular accountability at all. The power companies do not see themselves as part of the development process. Being so risk averse and not collaborating with the development industry is a real concern.

Since early 2018 HIA has been advocating on behalf of its developer members and raised concerns that improvements in terms of power companies being more cooperative and working collaboratively with industry was short lived. There was a discernible immediate improvement in the second half of 2018 when the issue came to a head and the attention of Government (the Treasurer) but since then Power Companies have slipped

back to where they were in 2017 / early 2018. Additionally, it is noted that Service Improvement Commitments (SICs) have been implemented in an attempt to remedy this issue, however SICs carry little weight and therefore do a minimal amount to improve the system.

These current functions have a very real impact on the development and housing industry, costing both time and money. HIA has been consistent in raising such concerns over recent years and has liaised with the ESC previously with regard to such matters. Additionally, such matters were raised by HIA with Anna Cronin - Commissioner for Better Regulation within the 'Review of the Planning and Building Systems' undertaken throughout the course of 2019.

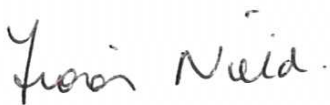
It is therefore promising to see a range of measures proposed by the ESC in seeking to address such issues and improve the timeliness of electricity connections. A number of the recommendations put forward within the work undertaken by the ESC are positive from HIA's perspective and are considered to be steps in the right direction. Specifically, HIA would like to note that the principle of the following measures contained within the material produced by the ESC are supported by HIA:

- 'Timely Negotiated Electricity Connections Decision Paper':
- Improving working relationships between distribution businesses and developers
- Improving transparency and accountability for negotiated connections:
 - Placing an obligation on distribution businesses to publically report their performance
- New customer service standard
- 'Greenfields Negotiated Electricity Connection Customer Service Standard Guidance Note':
- Developing performance measures:
 - Particularly with regard to the introduction of stages of the negotiated connections process
 - Audit performance
 - Setting of performance targets

Expedient implementation of these recommendations is encouraged to provide a level of certainty to industry that electricity connections will not continue to be a barrier to getting allotments to market, as this does have dire economic impacts particularly with regard to housing affordability. HIA considers that if such measures are appropriately implemented and administered, they will assist in providing great certainty for all parties involved. In further developing these overarching measures which have been identified by the ESC, HIA would like to request that from this point forwards we be consulted on all matters arising from this consultation process. HIA has a wealth of knowledge within this space and given the extensive involvement a range of HIA's members have with regard to such matters, it would be considered prudent that HIA be consulted on all matters moving forward.

Once again we thank you for the opportunity to contribute at this stage of the program. Please do not hesitate to contact me on (03) 9280 8200 or f.nield@hia.com.au or alternatively Mike Hermon – Executive Director, Planning and Development on (03) 9280 8236 or m.hermon@hia.com.au should you require anything further.

Yours sincerely
HOUSING INDUSTRY ASSOCIATION LIMITED



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