

# Independent Review of Victoria's Electricity and Gas Network Safety Framework

Implementation Update Report

# Safer Electricity and Gas Networks in Victoria

In 2017, the Minister for Energy, Environment and Climate Change announced an independent Review of Victoria's Electricity Network Safety Framework, to be chaired by Dr Paul Grimes. The Review was subsequently expanded to include Victoria's gas network safety framework.

The Review made 43 recommendations representing a significant reform agenda. A number of major recommendations focused on strengthening the regulatory approach of Energy Safe Victoria (ESV), Victoria's technical and safety regulator for electricity, gas and pipelines. The Government Response to the Review was released in August 2018. It supported 42 of the 43 recommendations either in full or in principle.

## Implementation Update: September 2019

The significant reform agenda is well underway. Detail on activities can be found in the pages that follow. Key achievements to date include:

- **Moving to a commission model** – The Government supports strengthening the governance structure of ESV by moving from a single-member agency to a three-person Commission. The Commission will provide greater breadth of skills and experience in the areas of law, regulation, economics and community safety, as ESV continues to develop towards best practice regulation. Legislative change will be required to implement this important reform. Government is currently working through these processes.
- **Enhanced audit and inspection program** - ESV has tripled electrical infrastructure inspections and doubled gas pipeline inspections. A further investment in more inspectors is planned for 2019-20. To support these

inspections ESV has, and will continue to, invest in data management and analytical capabilities to allow for targeted enforcement and broader reporting.

- **Roadmap to reform** - ESV has drafted an overarching organisational reform roadmap that details key actions that have already been taken to strengthen ESV's corporate governance and management structures and processes, and actions still to complete, including actions that it will take to implement recommendations of this Review.
- **Bolstering capabilities and experience** – The establishment of a number of committees is underway, including the Workforce Consultative Committee and Future Trends Advisory Committee, which expands the breadth of expert advice and experience to guide strong workforce engagement and forward-thinking strategy by ESV.
- **Creating a strong regulatory framework** – ESV has strengthened its enforcement and integrity standards by reforming the following key policies and procedures:
  - Charter of Consultation and Regulatory Practice;
  - Compliance and Enforcement Policy;
  - Safety case policy and guidelines for gas companies;
  - The Electricity Hazards and Safety Handbook for Emergency Service Personnel; and
  - Conflict of Interest Policy.Work continues, and further policies and procedures are being reviewed and will be strengthened.

## Strengthening ESV's internal corporate management systems and processes

Ref.	Recommendation	Actions completed and in progress	Timing
1	Energy Safe Victoria should be established as a commission with three commissioners. One commissioner should serve as a full-time chair, with reserve powers in the event of emergencies. The remaining two commissioners should be appointed on a part-time basis. The commissioners should each have equal voting rights, with decisions being made by consensus, or by a simple majority if a consensus cannot be achieved. Commissioners should be appointed for five year terms, with the ability for these terms to be renewed once only.	The Government supports strengthening the governance structure of ESV by moving from a single-member agency to a three-person Commission. The Commission will provide greater breadth of skills and experience in the areas of law, regulation, economics and community safety, as ESV continues to develop towards best practice regulation. Legislative change will be required to implement this important reform. Government is currently working through these processes.	Legislative processes commencing late 2019.
3	Building on its existing Conflict of Interest Policy, ESV should develop documented protocols and additional guidance to ensure that perceived and potential conflicts of interest are addressed in its regulatory decision making, particularly in cases where regulatory staff have previously been employed by network businesses or undertaken previous consulting engagements with network businesses.	ESV has updated its Conflict of Interest policy and has commenced the process of developing accompanying guidance material for staff to safeguard the integrity of regulatory decision making.	Completed in April 2019 and accessible on ESV's website.
		All employees have undertaken internal training on the new policy.	Internal staff training was completed in May 2019.
		Over 40 leadership staff have attended training provided by the Victorian Ombudsman. Further training sessions are planned for remaining current staff.	Further training for all current staff will be completed early 2020.
4	The Executive Management Board of ESV should develop an overarching organisational reform roadmap that details key actions that have already been taken to strengthen ESV's corporate governance and management structures and processes, and the actions that have yet to be completed.  This roadmap should take account of actions in response to the recommendations of this Review of Victoria's Electricity and Gas Network Safety Framework and in response to the findings of previous reviews commissioned by the Director of Energy Safety. The roadmap should be reported publicly on ESV's website and updated quarterly until all key actions have been completed.	ESV is developing an organisational reform roadmap that details key actions to strengthen its corporate governance and management structures for endorsement. The roadmap includes actions ESV will undertake to implement recommendations of this Review.	Initial Roadmap will be completed late 2019. Implementation and enhancement will be ongoing.

Ref.	Recommendation	Actions completed and in progress	Timing
5	ESV should develop and implement a formal workforce strategy to support the attraction and retention of high performing staff. This strategy should include a specific focus on broadening the diversity of ESV's workforce over time, including gender diversity.	ESV is reviewing employee roles and competencies against a new staff progression framework to ensure a capable and motivated workforce.	To be completed early 2020
		Further, ESV is progressing the development of a future workforce strategy to ensure it can attract and retain high performing staff and ensure an appropriately skilled and diverse team.	To be completed mid 2020

## Strengthening ESV's capability and preparedness to take strong regulatory action

*Note the Government supported recommendations 10, 14 and 15 below in principle however these are being progressed, where there is alignment to recommendations supported in full.*

Ref.	Recommendation	Actions completed and in progress	Timing
6	ESV should substantially increase its audit and inspection resources and activity compared to recent years, in accordance with the directions set out in its Corporate Plan 2017-2020. Performance against this plan should be reported publicly, including summary information that clearly explains, at a "plain English" level, what ESV has achieved and what more remains to be done to fully deliver its more intensive audit program. This should be supported by detailed information on the audits conducted each year, including: the number of audits, the sites and distribution businesses covered, the focus of the audits and the results of those audits. This should build on and extend existing safety performance reporting by ESV.	<p>In response to the Grimes Review, ESV has substantially enhanced its auditing and inspection resources in both the gas and electricity sectors to increase the numbers of inspections and audits undertaken on gas pipelines and electrical assets:</p> <ul style="list-style-type: none"> <li>• It has doubled its gas pipeline inspectors, therefore doubling inspections.</li> <li>• It has significantly increased its electrical infrastructure inspectors, allowing a tripling in inspections completed on both electrical line clearance and electrical assets.</li> <li>• Further staff increases are planned for 2019-20 to fully deliver the more intensive audit and inspection program.</li> </ul>	Enhancements to the auditing regime to be completed mid 2020.

Ref.	Recommendation	Actions completed and in progress	Timing
		<p>ESV has committed to publish an enhanced annual safety performance report detailing its audit program, including the number of audits undertaken, the areas and distribution businesses covered, the focus of the audits, and the results of those audits.</p> <p>ESV will publicly release these enhanced safety performance reports for the electricity network each September, and for the gas network each December.</p>	<p>Publishing of enhanced safety performance reports to commence by the end of 2019.</p>
7	<p>ESV should conduct an internal review of its expanded audit and inspections program in 2020 to determine whether a further change in the resourcing of these functions is required.</p>	<p>ESV will conduct an internal review of its expanded audit and inspection program to ensure the ongoing effectiveness of the expanded auditing and inspection regime. This will include a performance evaluation of the program against the previous year's audit plan and will outline what ESV has achieved, what still needs to be done and if further increases in resourcing are required.</p>	<p>Internal review to be completed late 2020.</p>
8	<p>ESV should develop an integrated plan of action to strengthen its analytical capabilities and processes to support effective risk-based regulation. This action plan should build on the initiatives outlined in ESV's Corporate Plan 2017-2020. To promote accountability, it should include clear actionable milestones. Progress against the action plan should be reported annually until all planned milestones have been completed.</p>	<p>ESV is establishing a forward-looking framework to deliver increased analytical capabilities, and the implementation of this framework will form the basis for enhancing ESV's risk-based regulation.</p> <p>ESV is developing an integrated plan of action to strengthen its data management and analytical capabilities. This includes identifying the required upgrades to its IT systems to enable increased data capture, extraction, collation and analysis, allowing enhanced public reporting on network safety.</p> <p>Refer also to the status updates for recommendations 14 and 15.</p>	<p>To be completed mid 2020.</p>
9	<p>ESV should implement the more robust approach to regulatory compliance and enforcement outlined in its Corporate Plan 2017-2020, and prepare an updated Charter of Consultation and Regulatory Practice and an updated Compliance and Enforcement Policy, to reflect this amended approach.</p>	<p>ESV has updated its Charter of Consultation and Regulatory Practice and its Compliance and Enforcement Policy.</p>	<p>Completed in April 2019 and accessible on ESV's website.</p>
10	<p>ESV should maintain a sufficient capability to initiate strong enforcement actions, including legal prosecution, when justified on public interest grounds. This should include standing arrangements to ensure it can effectively draw on specialist external resources if and when required. ESV's capabilities to support strong enforcement actions should be reviewed by ESV's Executive Management Board annually.</p>	<p>ESV is seeking tenders for a standing arrangement with an external specialist legal service to ensure it has sufficient capability to initiate strong enforcement action. Whilst these arrangements are being finalised, a legal firm has been retained for significant legal action already in progress.</p>	<p>Standing arrangements to be in place early 2020.</p>

Ref.	Recommendation	Actions completed and in progress	Timing
11	ESV should continue to strengthen its internal systems and processes to facilitate robust and consistent compliance and enforcement decision making. This should include the continued operation of the recently re-established Compliance and Enforcement Panel, and any necessary improvements in the internal guidance to ESV officers in compliance and enforcement related roles to ensure timely and consistent decision making.	ESV is developing a compliance and enforcement model, manual and processes that encourage timely and consistent decision making. The draft model has been scheduled for review by ESV's Executive Management Board Reference Panel.	To be completed early 2020.
14	The development of a mature data analytics capability, including the data collection and management systems to support robust statistical analysis, should form a central component of ESV's integrated action plan to strengthen its analytical capabilities. Clear milestones should be developed to promote accountability.	ESV is implementing an integrated plan of action to strengthen its data management and analytical capabilities. This includes identifying the required upgrades to its IT systems to enable increased data capture, extraction, collation and analysis, allowing enhanced public reporting on network safety.  Refer also to the status update for recommendation 8.	To be completed mid 2020.
15	ESV should consider and respond to all recommendations of the report Assessment and Analysis of Incident Data Held by Energy Safe Victoria as part of strengthening and expanding its Data Management and Analytics Strategy.	ESV is addressing these recommendations and is improving fire reports, data relating to gas networks and datasets from fire management agencies.  Refer also to the status update for recommendation 8.	To be implemented late 2019.
42	ESV should, in consultation with network businesses, further develop internal and external guidance on its expectations for safety cases, and its approach to evaluating safety cases for acceptance. This should include its approach and expectations for: <ul style="list-style-type: none"> <li>• safety case components being clear, measurable and targeted to safety obligations;</li> <li>• how a precaution-based approach is applied to managing safety risk; and</li> <li>• safety case submission and revision processes.</li> </ul>	An effective "safety case" is crucial to ensure regulated businesses have comprehensive systems and processes in place to identify and manage safety risks – and they must be able to demonstrate the effectiveness of their systems to the independent regulator.  ESV has recognised improvements are required to the safety case regime and has commenced work on providing better guidance to the regulated businesses on its expectations for a safety case and its approach for evaluating safety cases prior to acceptance: <ul style="list-style-type: none"> <li>• Safety case policy and guidelines for gas companies were included in the documentation developed as part of the process to remake the Gas Safety (Safety Case) Regulations in 2018 and can be found at <a href="https://www.esv.vic.gov.au/pdfs/gas-safety-case-preparation-and-submission-for-facilities-and-pipelines-guidelines/">https://www.esv.vic.gov.au/pdfs/gas-safety-case-preparation-and-submission-for-facilities-and-pipelines-guidelines/</a></li> </ul>	Completed for gas companies in 2018. Completed for pipelines in July 2019.

Ref.	Recommendation	Actions completed and in progress	Timing
		<ul style="list-style-type: none"> <li>Policy and guidelines will be developed as part of the remake of the Electricity Safety (Management) Regulations 2009. As part of the remaking of the Electricity Safety (Management) Regulations 2009, the guidelines will be revised and expanded to also provide guidance on ESV's evaluation expectations and processes for electricity safety management schemes.</li> </ul>	To be completed early 2020.

## Better integration across agencies

Ref.	Recommendation	Actions completed and in progress	Timing
16	ESV should review each existing Memorandum of Understanding (MOU) with other regulators and government departments and agencies annually to ensure they remain current and fit-for-purpose.	ESV has commenced reviewing the nine inter-agency relationship documents it has in place with other regulators and government bodies and is collaborating with each relevant agency to update these documents as required.	Review of all MOUs to be completed mid 2020.
17	ESV and DELWP should jointly develop an MOU to help manage their respective responsibilities. This should replace the MOU with the former Department of Primary Industries and update the arrangements to reflect the current allocation of responsibilities between ESV and the department. The MOU should recognise and facilitate ESV's independence in regulatory decision making, and the department's role as the principal source of policy advice to the Minister for Energy, Environment and Climate Change.	A Statement of Expectations between ESV and DELWP has strengthened clarity on roles and responsibilities. This will be enhanced by a new MOU. Further, senior ESV and DELWP staff meet weekly. The transparency, flow of information and ability to address issues affecting the community has supported clear and coordinated advice to the Minister and to the community.	To be completed early 2020.
19	ESV should review, and update where necessary, the Electricity Hazards and Safety Handbook for Emergency Service Personnel in consultation with DELWP, network businesses and the relevant emergency services agencies. This review should consider any areas in which current operational responsibilities require clarification. In addition, ESV should prepare a Gas Hazards and Safety Handbook in consultation with DELWP, the industry and the relevant emergency services agencies.	The Electricity Hazards and Safety Handbook for Emergency Service Personnel was updated and published in September 2018 and can be found on the ESV website at <a href="https://esv.vic.gov.au/pdfs/electricity-hazards-safety-guide/">https://esv.vic.gov.au/pdfs/electricity-hazards-safety-guide/</a>	Completed September 2018
		The Gas Hazards and Safety Handbook is currently under development.	To be completed early 2020
20	In consultation with the Australian Energy Regulator (AER), ESV should annually evaluate the operation of its MOU with the AER. A summary of each evaluation should be published in ESV's Annual Report.	ESV and the AER have commenced the development of the new MOU which will be published once signed off by the AER and the ESV Executive Management Board.	To be completed mid 2020.
		ESV will include this summary of each evaluation in its annual reports, commencing in 2019-20.	To be included in ESV's annual reports, commencing in 2020.
21	In consultation with the AER, ESV should prepare public guidance that sets out clear protocols to facilitate effective engagement between ESV and regulated network businesses as an input into price review processes conducted by the AER.	ESV has commenced engagement with the AER to begin the development of public guidance outlining engagement protocols.	To be completed late 2020.

Ref.	Recommendation	Actions completed and in progress	Timing
22	<p>ESV should, in consultation with regulated network operators and the AER, evaluate its requirements for safety cases to ensure that all safety-related elements that have been factored into AER determinations, are identified and supported by clear implementation plans.</p> <p>ESV should report on the progress made by regulated network operators in its annual network safety performance reports. The reporting should be sufficient to ensure that there is a high degree of transparency to the Victorian community about the progress in the implementation of safety programs.</p>	<p>In conjunction with recommendation 42, ESV has recognised that improvements are required to the safety case regime and has commenced work on evaluating its requirements for safety cases with a view to improving the efficacy and transparency of the regime. Progress on the implementation of safety programs funded through the AER determinations will be publicly reported in the enhanced annual safety performance reports.</p>	<p>Publishing of further enhanced safety performance reports to commence late 2020, subject to agreement with the AER.</p>

## Promoting workforce engagement

Ref.	Recommendation	Actions completed and in progress	Timing
25	<p>ESV should establish a consultative committee under Section 8 of the <i>Energy Safe Victoria Act 2005</i>. This committee should:</p> <ul style="list-style-type: none"> <li>• provide advice to ESV to assist in its consideration of workforce engagement issues;</li> <li>• contribute to the development of broader workforce engagement strategies, including the sharing of best practices; and</li> <li>• be comprised of representatives from network businesses, major contractors, trade unions, WorkSafe Victoria and the workforce.</li> </ul>	<p>The committee will have broad representation including representatives from ESV, trade unions, network businesses, major contractors and WorkSafe Victoria.</p>	<p>The first meeting will be convened early 2020, subject to the finalisation of nominations.</p>

## Continuing to deliver effective programs to reduce the risk of electrical assets causing catastrophic bushfires

Ref.	Recommendation	Actions completed and in progress	Timing
26	DELWP should develop a transition plan that outlines a clear pathway for the closure of its program components of the Powerline Bushfire Safety Program and handover arrangements for residual components to ensure the learning gained through the program is maintained into the future.	DELWP is developing a transition plan for the closure of its program components of the Powerline Bushfire Safety Program (PBSP) which was established to implement recommendations 27 and 32 of the Victorian Bushfires Royal Commission. The plan will also ensure the learning gained through the program is maintained into the future.	Mid 2020
27	The mandate of the Powerline Bushfire Safety Committee should be expanded to require it to provide annual implementation reports on the deployment of REFCL technology to satisfy the Electricity Safety (Bushfire Mitigation) Regulations 2013. The implementation reports should include information on the costs and risk reduction benefits in light of actual experience, and an assessment of emerging issues that may require adjustments to program timing or technical requirements. The first report should be provided through the Director of Energy Safety to the Minister for Energy, Environment and Climate Change by May 2018.	<p>The Government is committed to implementing this recommendation to ensure that a robust economic and safety assessment of the REFCL deployment program is undertaken.</p> <p>Implementation of this recommendation has been delayed to allow for REFCLs to have been operational for a period of time significant enough to adequately assess. As such, the PBSC will provide its first report to the Director of Energy Safety to include performance following the 2019-20 summer period.</p>	Mid 2020
28	ESV should continue to work closely with distribution businesses, and with the assistance of the Powerline Bushfire Safety Committee, to provide timely advice to the Minister for Energy, Environment and Climate Change on the need for any exemptions from the performance standards contained in the Electricity Safety (Bushfire Mitigation) Regulations 2013.	ESV, in conjunction with the PBSC, continues to provide advice to the Minister for Energy, Environment and Climate Change on the need for exemptions from performance standards in the Electricity Safety (Bushfire Mitigation) Regulations 2013.	Ongoing

## Ensuring the regulatory safety framework is able to adapt to manage new sources of safety risk in the networks of the future

Ref.	Recommendation	Actions completed and in progress	Timing
32	ESV should establish an expert advisory committee under Section 8 of the <i>Energy Safe Victoria Act 2005</i> to advise on emerging trends in electricity and gas networks and possible changes to regulatory settings that might be considered necessary to manage new sources of safety risk.	The terms of reference for an expert advisory committee have been drafted and are being reviewed.	The first meeting will be convened by early 2020, subject to the finalisation of terms of reference and membership.
33	ESV should develop a roadmap of emerging issues and proposed actions to ensure the safety risks arising from new technologies and network structures are identified early and managed effectively. Progress against the roadmap should be reported annually in ESV's Annual Report and network safety performance reports.	ESV has engaged an international consultant to initiate the development of a roadmap of potential and emerging safety issues and proposed actions in consultation with Australian and international experts. An internal steering committee and working group have also been established for the project.	To be completed late 2020. ESV's progress to be reported in its annual report and enhanced safety performance reports, commencing in 2020.

## Other recommendations being considered

### The Government is considering options for recommendations supported in principle.

- Strengthening ESV's capability and preparedness to take strong regulatory action through a broader suite of compliance and enforcement tools and increased penalties (recommendations 12, 13).
- Reviewing the gas and electricity distribution codes to improve the safety regulation of the networks. (Recommendation 18)
- Considering the case for a formal reliability standard and system planning for the gas network. (Recommendations 23, 24)
- Delivering enhanced programs to address bushfire safety through further research and development into new technologies to manage bushfire risk from electrical assets. (Recommendation 29)
- Enhancing the safety regulation of underground assets through formalising the Land Development Around Pipelines Working Group and making Dial Before You Dig mandatory. (Recommendations 30, 31)
- Further strengthening safety case-based regulation through improved and consolidated legislation. (Recommendations 34, 35, 36, 37, 38, 39, 40, 41, 43)

### Recommendation not supported

The Chair of the Energy Safe Victoria Commission should also serve as Chief Executive of ESV and should have responsibility for the corporate leadership of ESV, advised by an Executive Management Board. (Recommendation 2)

### Commitment to the implementation of an electrical lineworker licensing scheme

In addition, to fulfil its election commitment made in November 2018, the Government is progressing policy and legislative options to license electrical lineworkers by 1 January 2021.