

10 August 2020

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Provided via email

Dear Sarah,

Timely negotiated electricity connections: Issues paper

AusNet Services appreciates the opportunity to comment on the issues paper exploring approaches that could help ensure electricity distribution businesses focus on improving connection processes for new developments in greenfield areas over the longer term.

In AusNet Services' area, medium density housing development occurs in both the rapidly expanding metropolitan growth corridors in Melbourne's north and south east and major regional centres in the Kilmore and Wodonga regions, as well as Warragul, Drouin and Traralgon.

We are supportive of the Essential Services Commission's (ESC) consultation and reforms to electricity distribution regulations that provide stakeholders with transparency and confidence that distribution networks are focused on improving connection processes.

AusNet Services is a signatory to the ESC's Service Improvement Commitment to improve the timeliness of electricity connections by Victorian electricity distribution businesses. Since the Service Improvement Commitment commenced in 2018, we have taken concrete steps to improve our customer service to developers and their contractors, including:

- Consolidated the oversight of all medium density housing projects through one centralised office and increased resourcing of this function.
- While developing our 2022-26 regulatory submission, we engaged with industry stakeholders via a customer representative body (the Customer Forum) who met with the building industry to canvass expectations in relation to connections processes and timeframes.
- Re-invigorated our audit processes for network auditors of new housing developments. A one or multiple independent auditor companies will soon be appointed, following a tender process.
- Implemented a new customer connections portal, "Energy Connect", and process automation to improve project delivery times, enable online service applications and provide customers and their agents with visibility on the status of their projects.
- Implemented design management process automation to maintain focus on design approval times.
- Established a joint technical standards committee with the other Victorian distribution businesses and convened our own Underground Reticulation Developer (URD) Consultative Panel. We have reviewed suggestions raised by industry representatives during these meetings (e.g. acceptance of photographs as proof of non-conformance rectification, the alignment of many standards between distribution businesses).

Prior to these improvements, we already allowed contestability for URD design, civil and electrical construction, preliminary audits and tie in activities (i.e. all connection activity except design approval and network auditors). These best practice features of the process are still in place. Additionally, our staff are frequently acknowledged by the electrical design and construction industry as accessible, transparent and available to review network auditor and design decisions.

We suggest the review on improving the timeliness of negotiated electricity connections establish lighter handed reporting obligations (Approaches A and B) as this may be in the best interest of all parties, while more onerous reporting and compliance obligations of Approaches C and D may increase the cost of service provision. Higher connection and electricity consumption costs would be unwelcome as the Victorian construction industry and residential customers recover from the economic impacts of COVID-19.

Additionally, it is important that the scope of the reporting remains focuses on new housing estates (to address stakeholder concerns), and not other negotiated connections, which can be more complicated. Other negotiated connections include multi-warehouse development, moving powerlines for major road works, rail infrastructure upgrades, and large new co-generation connections. These connection processes are very different to URD housing estates due to the complexity of the electrical design, the level of coordination of other authorities, and the more specialised skills required to safely design, build and connect higher capacity assets.

Our detailed response to the questions contained in the Issues Paper is included in the table below.

If you have any queries on our submission, please do not hesitate to contact Justin Betlehem on 03 9695 6288.

Yours sincerely,

A handwritten signature in black ink that reads "C. Eddy". The signature is written in a cursive style with a long horizontal stroke underneath the name.

Charlotte Eddy
Manager Economic Regulation

AusNet Services stakeholder feedback table

Issues paper questions	AusNet Services feedback
<p>1. Do problems remain? Taking into account the concerns identified in 2018, do issues remain in the negotiated electricity connection process and if so where in the process? Please provide evidence to support your response.</p>	<p>AusNet Services has observed there have been significant reductions in connection timeframes since 2018; the timeframe from connection offer accepted to practical completion has reduced.</p> <p>However, over the last 2 years in our network area roughly 20% pre-commissioning and final network audits are failing. Situations where a development connection has multiple failed audits are of concern to all parties, as are unresolved defects after an estate has been connected.</p> <p>This is an issue with contestable contractor work quality. It is important our network auditors do not compromise on safety or leave residents of new housing estates with outstanding service quality issues.</p>
<p>2. Our assessment criteria Are there any other factors we should consider when deciding which approach to adopt?</p>	<p>We agree with the assessment criteria of effectiveness, quality and cost, however it is important that the scope remains focused on stakeholder concerns on new housing estates, and not other, more complicated, negotiated connections (e.g. multi-warehouse development, moving powerline for major road works, rail upgrades, and large new co-generation connections).</p>

Issues paper questions	AusNet Services feedback
<p>3. Approach A – distribution businesses continue to voluntarily report on performance of negotiated connections</p> <p>Under a continuation of voluntary reporting arrangements, should distribution businesses continue to use the existing key performance indicators? Or should different key performance indicators be used? If so, please advise what they should be and why.</p>	<p>We consider the reporting metric in the Service Improvement Commitment incorporate the timeframes of requesting network audits and design approvals provide the necessary level of transparency. The performance against these indicators can be controlled by distribution businesses changing resourcing levels, and directly affects every underground reticulation development for residential housing estates. Each stage of a major housing development needs a design approval and two network audits.</p> <p>Self-reporting of timeframe obligations, associated with basic connection services, mandated in electricity regulations would also be appropriate. Builders temporary pole and new connections are already subject to GSL payment obligations of 10 business days. NMI allocations are currently subject to National Electricity Rule timeframe obligations.</p>
<p>4. What are the opportunities and downsides with this approach that we should be aware of? Please give examples.</p>	<p>Approach A would best keep businesses more engaged in two-way discussions with each other. Our online connections portal makes timeframes transparent to our customers, and should customers have urgent requirements we may have more flexibility to respond with more resources.</p> <p>Additionally, it would better support future transitions to new energy solutions for residential housing estates, as longer design approvals may be needed to assess more complicated designs with inverter energy systems on every house and community batteries.</p>

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<p>5. Approach B – regulating performance reporting If we adopted this approach, which stages, or steps of the negotiated connections process that distribution businesses or the contractors they directly control should be regulated to be meaningful?</p>	<p>AusNet Services would support regular regulatory reporting of timeframes on design approval of underground reticulation development for residential housing estates for the following metrics:</p> <ul style="list-style-type: none"> • Networks audit request; and • Design approvals. <p>The connection offer application stage encompasses the design approval stage and other administration tasks that may involve the connection applicant needing to provide further information. Therefore, reporting on this metric would need to incorporate 'stopping the clock' every time a request for more information is sent.</p> <p>Other activities for housing developments are contestable in AusNet Services network area and therefore regulated timeframes would be inappropriate.</p>
<p>6. How should timeframes be set: using method (a), method (b), or another method?</p>	<p>We consider that either method could be practical. The more important is the consideration of maximum timeframes and their related portions (e.g. 100% in 10 business days or 80% in 8 business days).</p>
<p>7. How should we set reasonable targets (portions of cases that must met within a maximum timeframe or maximum timeframes)?</p>	<p>We consider the setting of targets should not add further costs to network business by requiring further reduced timeframes compared to the status quo. Consideration should be given to allowing some flexibility in resource management and an assessment on the impact on the overall timeframe in comparison to the overall process designing, constructing, approving and connecting a new housing estate stage, which typically takes between 100 and 250 days.</p> <p>We consider the current design approval and network audit timeframes are appropriate. Additionally, we are soon to conclude our tender process for new network auditors and once we have established our contacted</p>

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	<p>service levels a further reduction in timeframes would add further cost. Given the service classification for this work category is alternative control service, cost increases would ultimately be incurred by developers.</p>
8.	<p>Retaining quarterly or 6-monthly reporting would be ideal. Any more frequent and the obligation would add costs.</p>
9.	<p>Assuming there is no further tightening of timeframes, Approach B would provide stakeholders greater certainty of enduring focus on underground reticulation development for residential housing, without escalating connection costs.</p> <p>The downside of Approach B is it relies heavily on timeframe thresholds that require extensive consultation to develop.</p>
10.	<p>Approach C — distribution businesses regularly review and improve the way they manage the negotiated connections processes</p> <p>This approach proposes a range of obligations that would promote ongoing good management of the negotiated electricity connections process. Are there any other obligations that we should be included?</p> <p>We do not suggest any further additions to the list of proposed Approach C guidance and obligations on pages 16 and 17 of the Issues Paper.</p> <p>While this would create a greater executive focus on connection improvements it would be complicated and costly to operate and manage for the distribution businesses and ESC. We may need several additional FTEs to undertake the reviews and the extensive reporting that is proposed in Approach C. As the Victorian economy re-emerges from the COVID-19 pandemic additional costs would not be desirable for customers and developers.</p>

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<p>11. Are there some of the listed obligations that could be removed? Please provide support for your response.</p>	<p>We consider the list of Approach C obligations/guidance are extensive with:</p> <ul style="list-style-type: none"> • 4 obligations for reviewing arrangements, • 2 obligations to consult with stakeholders, • Annual and 6-monthly reporting, and • obligations to communicate in a two-way manner. <p>While we agree that all these expectations are reasonable as guidance, it would be time consuming and costly to provide quality deliverables to demonstrate compliance. We estimate this reporting, consulting and review writing would require 2-3 full time equivalent staff. In addition to the network business costs, would be the ESC's cost in auditing these obligations.</p>
<p>12. Which requirement(s) should be enforceable through the Electricity Distribution Code? Are there any requirements that are best implemented through guidance?</p>	<p>AusNet Services does not recommend Approach C. We note the obligation "manage technical standards..." would be difficult to regulate.</p>
<p>13. What are the opportunities and downsides with this approach that we should be aware of? Please give examples.</p>	<p>The cost of managing Approach C would increase the cost of service provision. As the Victorian electricity and construction industries re-emerge from the COVID-19 pandemic customers and developers would not welcome cost increases.</p>
<p>14. Approach D – regulating the timeframes to undertake stages of the negotiated connections process What are your views on regulated maximum timeframes, compared to a negotiated timeframe unique to each stage in each development?</p>	<p>Approach D would be cumbersome and potentially resource inefficient, while not necessarily being effective in improving customer service. If the mandated timeframes are set too low or do not have allowances for large and unforeseen disruptive events, then distribution business would need to over-resource to provide contingency. That could increase connection</p>

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<p>15. What are the opportunities and downsides with this approach that we should be aware of? Please give examples.</p>	<p>costs on the electricity and construction industries, without any customer benefit.</p> <p>Approach D would require the setting of economic efficient timeframe obligations. Assuming these obligations are efficient with reasonable allowance for unforeseen disruption events, these obligations would need to be reviewed regularly and changed as economic conditions and developer expectations change.</p>
<p>16. General Which approach or combination of approaches or parts of approaches would address your issues now and manage negotiated connections effectively over the longer term</p>	<p>Light handed reporting obligations of Approaches A and B may be in the best interest of all parties, while more onerous reporting and compliance obligations of Approach C and D may increase the cost of service provision. Higher connection and electricity consumption costs would be most unwelcome as the Victorian electricity and construction industries re-emerge from the COVID-19 pandemic.</p>
<p>17. Is there another approach not documented here that would be effective?</p>	<p>AusNet Services does not recommend another approach.</p>