



27 November 2017

Dr Grimes
Chair
Review of Victoria's Electricity Network Safety Framework
C/O DELWP Secretariat

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Dear Dr Grimes,

RE: Review of Victoria's Electricity and Gas Network Safety Framework - Interim Report

AusNet Services appreciates the opportunity to comment on the Interim Report (the Report) which provides a comprehensive review of Victoria's network safety framework and its comparative performance with other national and international frameworks.

AusNet Services agrees with the core finding of the Report which recommends an outcome based regulatory regime, based upon a safety case framework. This framework is the internationally accepted approach that will provide Victorian consumers with safer and more cost effective energy networks.

While the need for some prescriptive regulation was acknowledged by AusNet Services in its original submission, we agree with the Report's finding that these regulations should not be 'set in stone' and will require periodic review to ensure they are achieving the intended outcomes in a cost effective manner.

With respect to the broader recommendations for implementation and operation of an effective safety case framework, AusNet Services supports these recommendations with the following clarifications.

Promoting Work Force Engagement – Recommendation 25

AusNet Services considers the establishment of the recommended Section 8 committee may provide cross industry engagement in the sharing of opportunities identified through respective safety case regimes.

Whilst the Report suggests the electricity safety case regimes may not have been established until made compulsory in 2009, the five electricity distribution businesses voluntarily adopted the safety case regime in the early 2000s. The five safety schemes were subsequently approved by the Governor in Council and gazetted in 2003. Accordingly, both gas and electricity distribution businesses have long established and mature systems of safe work practices and asset management.

As the Report acknowledges, a fundamental requirement of safety schemes is the engagement of the workforce to identify potential hazards. This process includes contractors that have been a key feature of the gas and electricity industry since

privatisation and is a key to AusNet Services' excellent safety performance illustrated in our submission to the Interim Report.

Engagement of the work force provides the basis for identification of key risks, many of which have resulted in the establishment of numerous industry working groups and committees to address these risks. The working groups and committees, represented by subject matter experts from respective businesses and stakeholders, are strongly focussed on sharing and enhancing safe industry work practices through development of consistent standards.

Aspects where cross industry engagement and collaboration may provide enhanced safety outcomes are in;

- Network asset risk mitigation, *and*
- Third party contractors working near energy assets incidents.

The proposed Section 8 committee should be constituted with participants that are recognised as subject matter experts and have a demonstrated record of delivering outcomes that have assisted the industry in enhancing safer asset management and work practice outcomes.

The committee would provide the opportunity and forum for cross industry engagement over respective safety case regimes and the sharing of opportunities to enhance sustainable network safety outcomes. The strategic approach of the committee would include consideration of both the economic and technical regulatory frameworks in which the industry operate and maintain network infrastructure.

As non-industry stakeholders would not be directly involved in the identification of strategies for enhancing network safety, a sub-working group may be appropriate to identify opportunities to address working safely near energy network infrastructure by the non-industry (third party) workforce. Initiatives and ideas of this working group may subsequently be factored into identification of network strategies by the Section 8 committee.

Ultimately, respective businesses would utilise and augment the output of the committee to address network safety in the context of their respective operating environments, risk profiles and performance.

Deployment of REFCL Technology – Recommendation 27

With a network that contains a majority of the hazardous bushfire risk areas in Victoria, AusNet Services has supported the Victorian Government's roll out of Rapid Earth Fault Current Limiters (REFCLs) Technology. The unique and challenging nature of this project has necessitated a close working relationship with Powercor Australia, which is also subject to the same regulations. This cooperation has delivered substantial benefits in terms of shared understanding of the technology's operation on the network and efficient practice, particularly in relation to performance testing. It has also facilitated a deeper understanding of the capabilities of REFCL technology and the challenges in modifying current distribution networks to achieve the benefits of bushfire risk reduction.

We note that, while we will assist the Minister in reviewing the outcomes of the REFCL program, any decision to review the REFCL program is a matter for the Minister alone. In this regard, we would wish to highlight that the Minister should consider the consequences of any review on networks ability to meet their obligations under the *Electricity Safety Amendment (Bushfire Mitigation Civil Penalties Scheme) Act 2017*.

The REFCL program entails considerable technical complexity, subject to extremely tight timeframes, backed with punitive financial penalties for non-delivery. This has practical consequences to how the program must be delivered. These are outlined below.

While the Act sets out three distinct sequential tranches, in reality, tranches are delivered with significant overlaps. For example, for AusNet Services, Tranche 1 projects are well into the construction phase, Tranche 2 is well into design and procurement and customer negotiations are proceeding for all three tranches. Therefore, in making this recommendation the Secretariat must recognise:

- There is no window where such a review can be undertaken that is both after lessons from Tranche 1 can be assessed in depth and before later Tranches are well advanced in delivery; *and*
- Any potential savings from a review would have to be off-set against the demobilisation and remobilisation costs caused by the review itself.

Furthermore, any uncertainty, either from the review itself or from an absence of a decision on the review, will compromise:

- The funding process for Tranche 2 and 3 embedded in the current Electricity Distribution Price Review Decisions. The AER will not approve cost recovery where there is possibility a review may recommend a halt or material modification to the program;
- Delicate HV customer negotiations around upgrades to their installations that must be undertaken in order to allow the REFCLs to be operated. If a customer is going to pay for upgrades they must be assured a REFCL will actually be installed at their zone substation; *and*
- Expenditure approval processes internal to the business. Boards of commercial businesses cannot be expected to approve material expenditure where there is uncertainty around need and cost recovery.

Should the Minister adopt the recommendation to review the outcomes of Tranche 1, “stopping the clock” on the remaining Tranches would be the only appropriate way of addressing the issues above.

We also reiterate that any decision on this recommendation needs to be both timely and clear so, if necessary, established “stop the clock” processes can be initiated both with the ESV/Minister (project delivery timelines) and the AER (funding).

A timely decision to proceed without a review would allow AusNet Services to proceed with the Contingent Project (funding) Application for Tranche 2 by March 2018 and continue the roll out.

Should you have further questions regarding the information set out in the attached paper please do not hesitate to contact myself on 03 9695 6617 or thomas.hallam@ausnetservices.com.au or the Manager Network Safety, Phillip Bryant on 03 9695 6219 or phillip.bryant@ausnetservices.com.au.

Sincerely,

A handwritten signature in black ink, appearing to read 'Tom Hallam', written in a cursive style.

Tom Hallam
General Manager Regulation and Network Strategy