



4/09/2018

C/18/21972

The Hon Robin Scott MP
Minister for Finance
Level 5, 1 Macarthur Street
East Melbourne VIC 3002

Dear Minister

Advice on Electricity Regulation

I am pleased to provide you with our advice on electricity regulation in Victoria. I have attached our report to this letter.

In May, you asked for our advice on the effectiveness of economic regulation to achieve timely electricity connections to new developments. Since then we have undertaken an extensive stakeholder engagement program to understand the issues potentially causing delays to connecting new developments to electricity networks and to develop and confirm solutions.

Stakeholders revealed there were many issues that affect the time taken to connect new developments to the electricity networks. These include: the rapid growth in demand for new lots which places strains on resources across the sector, quality of connections works, lack of customer focus by distribution businesses, auditing practices of distribution businesses and the development industry's lack of understanding of the regulatory framework and how they can influence decisions made under it.

So we can conclude that the regulatory framework itself is not the main driver of delays to connect new developments to electricity networks. But its effectiveness can be improved through targeted measures – which we will initiate.

We then focused on developing solutions that can deliver improved outcomes for industry participants and be implemented quickly.

All key stakeholders have a role in implementing the solutions identified. However, some stakeholders are better placed to lead the implementation of some solutions. We have allocated responsibility for leading the implementation of solutions accordingly.

We have asked the electricity distribution businesses to voluntarily agree to a Service Improvement Commitment. This seeks to deliver a range of initiatives designed to improve matters related to timely connections. AusNet Services, Jemena and Powercor/CitiPower/United Energy have agreed in writing to support the delivery of initiatives contained in the Commitment. We expect that work on delivering initiatives in the Commitment can begin quickly.

The actions outlined in the Commitment have also been agreed in principle by the development sector and can begin quickly.

We expect that the outcome of the Commitment will be prompt response times, greater clarity of expectations and much better communication between the electricity distribution businesses and the development industry, including its consultants and contractors.

The actions include performance reporting. Many stakeholders have commented that ongoing reporting is necessary to keep the focus on improvement. The results of performance reporting will also inform potential areas for reform in our upcoming review of the Electricity Distribution Code. The review will commence later this year and will focus on amending the Code to better serve the operation of the Victorian electricity network for customers.

Some solutions require actions by us, other regulators, or government stakeholders to implement. We will progress those measures within our areas of responsibility. We request that your office writes to the Australian Energy Regulator and the Victorian Planning Authority outlining the initiatives that they can lead to improve the timeliness of new connections. We will assist in this by sending draft letters to your office that cover off on the key initiatives.

We have also written to the development industry peak bodies – The Urban Development Institute of Australia (Victoria) (UDIA) and the Property Council of Australia. We have asked these organisations to actively participate in the reforms. This includes participating in:

- Electricity distribution business led committees designed to improve the connection processes
- the Commission led governance committee that will have oversight over the initiatives to achieve timely electricity connections.
- relevant regulatory processes. For example the upcoming electricity businesses price review run by the Australian Energy Regulator or the commission's review of the Electricity Distribution Code
- providing information to the commission through the complaints register. Links will be on the distribution businesses' websites and on the commission's website

The UDIA has actively participated throughout our review and very recently asked us to extend our analysis to include brownfield (infill) developments. We have advised the UDIA that this subsequent request will inform our future work program.

Governance arrangements

We will lead a Governance committee that will have oversight over the initiatives to achieve timely electricity connections. Its key objectives are:

- Giving direction where necessary to achieve elements of the Service Improvement Commitment
- Reporting to government and stakeholders on progress toward achieving elements of the Service Improvement Commitment and actions assigned to other parties

We will hold the first meeting in late September/early October 2018.

If you have any questions about this letter or the attached advice please do not hesitate to contact me.

Yours sincerely



Dr Ron Ben-David

Chairperson

