

# Timely negotiated electricity connections

Issues paper

30 June 2020

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# Summary

This paper sets out four proposed approaches to maintain electricity distribution businesses' focus on timely negotiated electricity connections for new developments in greenfields areas.

We are exploring four approaches that could help ensure the electricity distribution businesses maintain their focus on improving the way they manage negotiated electricity connections over the longer term.

We are considering:

- A. Allowing distribution businesses to continue voluntarily reporting publicly on their performance relating to negotiated connections.
- B. Placing specific obligations on distribution businesses to publicly report their performance.
- C. Placing a general requirement on distribution businesses to regularly review and improve the way they manage the negotiated connections processes.
- D. Regulating the timeframes to undertake stages of the negotiated connections process.

We welcome feedback on the possible approaches outlined. Stakeholders are free to outline other possible approaches or factors for us to consider.

**Stakeholder feedback due: 7 August 2020.**

## Background

In 2018, we were asked by the Minister for Finance to review why there were delays in connecting new developments in Melbourne's greenfields areas to the electricity distribution businesses' networks. We developed solutions to help address the delays, including a service improvement commitment that the distribution businesses agreed to implement. Then we established a governance committee to oversee its implementation.

Stakeholders have seen various improvements made to the negotiated electricity connections process because the implementation of initiatives under the service improvement commitment. However, they have raised concerns about whether the electricity distribution businesses will maintain their focus on improving and better managing the negotiated connections processes once the governance committee ends its role later in 2020.

# Overview of issues paper

In this issues paper we put forward four approaches that we consider could maintain the electricity distribution businesses' focus on improving the timeliness of the negotiated connections processes. We are now seeking stakeholder feedback to help inform which approach/es to adopt. Stakeholders are also free to suggest other ways they think could maintain the electricity distribution businesses' focus on timely negotiated connections.

Question number	Stakeholder questions
1	<p><b>Do problems remain?</b></p> <p>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>
2	<p><b>Our assessment criteria</b></p> <p>Are there any other factors we should consider when deciding which approach to adopt?</p>
3-4	<p><b>Approach A – distribution businesses continue to voluntarily report on performance of negotiated connections</b></p> <p>3. 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>4. What are the opportunities and downsides with this approach that we should be aware of? Please give examples.</p>
5-9	<p><b>Approach B – regulating performance reporting</b></p> <p>5. 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>6. How should timeframes be set: using method (a), method (b), or another method?</p> <p>7. How should we set reasonable targets (portions of cases that must met within a maximum timeframe or maximum timeframes)?</p> <p>8. What is a reasonable frequency for regulated reporting?</p> <p>9. What are the opportunities and downsides with this approach that we should be aware of? Please give examples.</p>

Question number	Stakeholder questions
10-13	<p><b>Approach C — distribution businesses regularly review and improve the way they manage the negotiated connections processes</b></p> <p>10. 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>11. Are there some of the listed obligations that could be removed? Please provide support for your response.</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>13. What are the opportunities and downsides with this approach that we should be aware of? Please give examples.</p>
14 -15	<p><b>Approach D – regulating the timeframes to undertake stages of the negotiated connections process</b></p> <p>14. What are your views on regulated maximum timeframes, compared to a negotiated timeframe unique to each stage in each development?</p> <p>15. What are the opportunities and downsides with this approach that we should be aware of? Please give examples.</p>
16-17	<p><b>General</b></p> <p>16. 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>17. Is there another approach not documented here that would be effective?</p>

## Engaging with stakeholders

Our 2018 review on negotiated electricity connections was built on an extensive stakeholder engagement program. This approach will continue as we move into the next stages – making the improvements coming from the 2018 review sustainable.

We have identified two main stages during the project where we will engage formally with stakeholders – our:

- issues paper
- draft decision.

We will also seek feedback relating to our papers from the governance committee, which was established to oversee the implementation of initiatives from the 2018 review. We will consult with the governance committee which is next scheduled to meet on 16 July 2020 and consult more broadly with interested stakeholders at a public forum to held between mid and late July 2020.

Stakeholders are encouraged to provide written submissions to this issues paper. We are also open to informal consultation with stakeholders.

Stakeholders can contact us at: [connections@esc.vic.gov.au](mailto:connections@esc.vic.gov.au).

## **Send us your feedback by 7 August 2020**

We are seeking feedback from interested stakeholders on our draft decision, including the content of the amended codes. Submissions to the commission are due **by 5.00 pm on 7 August 2020**.

We will consider stakeholder feedback and expect to publish our draft decision in September 2020.

To make a submission on this paper please go to Engage Victoria's website:

<https://engage.vic.gov.au/>.

Submissions will be published on the commission's website, except for any information that is commercially sensitive or confidential. Submissions should clearly identify which information is sensitive or confidential.

## **Timeline for consultation and implementation**

- 30 June 2020 – issues paper released
- 16 July 2020 – Governance committee meeting
- mid – late July 2020 – public forum
- 7 August 2020 – submissions due on issues paper
- September 2020 – release draft decision
- November 2020 – release final decision
- early 2021 – new arrangements commence.



# Maintaining the focus on timely negotiated connections

In 2018, we were asked by the Minister for Finance to undertake a review to determine why there were delays in connecting new developments in Melbourne's greenfield areas to the electricity distribution businesses' networks.

We developed solutions to help address the delays including a service improvement commitment that the distribution businesses agreed to implement. Then we established a governance committee to oversee its implementation.

More details on the 2018 review can be found in the next chapter and on our website.

Stakeholders have seen various improvements made to the negotiated electricity connections process because of the implementation of initiatives under the service improvement commitment. The distribution businesses agreed to include:

- improving stakeholder consultation and communications, including significant investment in IT systems so as developers can track their projects more closely
- improving transparency about the negotiated connections process through regular performance reporting
- reviewing audit processes and improving problematic practices
- establishing a technical standards committee to review the way standards are managed across the sector
- increasing resourcing required to undertake negotiated connections work.

However, at our last governance committee meeting developers raised concerns about whether the electricity distribution businesses would maintain their focus on improving and better managing the negotiated connections processes once the committee ends its role later in 2020.

We also recognise improvements have been made by distribution businesses in the ways they manage new negotiated electricity connections. However, we are considering whether to introduce new obligations on distribution businesses to strengthen accountability and to ensure continuous improvement.

## **Stakeholder question 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.

We are now exploring four approaches that could help ensure the electricity distribution businesses maintain their focus on improving the way they manage negotiated electricity connections over the longer term.

In this chapter, we set out:

- possible approaches to place requirements on distribution businesses relating to timely negotiated electricity connections
- our objectives and factors we will consider when we make decisions about which reform to adopt
- factors stakeholders should consider when they review each approach.

For each approach we describe the possible benefits, and other factors that may be required for the approach to be successful and help achieve timely negotiated connections for customers.

We welcome feedback on the possible approaches outlined. Stakeholders should also feel free to outline other possible approaches or factors for us to consider.

## **Our approaches**

Our approaches are aimed at helping to ensure electricity distribution businesses maintain their focus on better managing and improving their negotiated connections processes. We are considering the following possible approaches:

- A. Allowing distribution businesses to continue voluntarily reporting publicly on their performance relating to negotiated connections.
- B. Placing specific obligations on distribution businesses to publicly report their performance.
- C. Placing a general requirement on distribution businesses to regularly review and improve the way they manage the negotiated connections processes.
- D. Regulating the timeframes to undertake stages of the negotiated connections process.

Each of these approaches are discussed in further detail in the following sections below.

## **Our objectives and assessment**

Our core objective is to promote the long-term interests of Victorian consumers in relation to price, quality, and reliability. We are considering approaches to help us achieve our objective by helping customers move into their homes in a timely way, while being connected to a safe and reliable network. However, along with stakeholder feedback, we will assess the most effective approach to regulation by considering factors such as:

- the degree to which the reform addresses the timeliness of new negotiated electricity connection processes

- the degree to which the reform addresses the quality (such as providing for certainty, simplicity, and quality of work) related to new negotiated electricity connection processes and
- the relative cost to implement by distribution businesses.

We will also consider the extent to which the option provides clarity and accountability of the roles and responsibilities relating to negotiated connections, including the enforceability of obligations.

### **Stakeholder question 2 – our assessment criteria**

Are there any other factors we should consider when deciding which approach to adopt?

### **Other considerations**

In this section we outline factors stakeholders should take into consideration when reviewing our approaches.

Each approach could be adopted in isolation or in combination with another approach. Adopting a single approach would target a narrower range of outcomes and be simpler to implement and possibly less costly. A combination of approaches would target a broader range of outcomes and lessen some of the risks of adopting a single approach.

Our approaches place requirements on distribution businesses. However, they will generate the best outcomes when the development industry also actively participates in informing our decisions and continues to participate in reviews of processes and requirements. This ensures they remain relevant for industry and ultimately deliver the best outcomes for end use consumers or homeowners.

Regulatory approaches could be more complex and relatively more costly to implement. We are mindful of implementation costs particularly given distribution businesses are facing costs to support customers who are affected financially because of the coronavirus pandemic. This could lead to increased costs being passed onto developers and ultimately new homeowners.

In this chapter, we describe each approach in more detail, outlining the benefits of each approach and what may be required for the approach to be successful.

We stress that none of the approaches proposed would be implemented in a way that would compromise distribution businesses' ability to manage the safety and reliability of their networks.

## **Approach A – distribution businesses continue to voluntarily report on performance of negotiated connections**

Through the governance committee, we learnt developers have welcomed the public reporting of distribution businesses on their performance relating to negotiated connections.

Public reporting can take the form of reporting against key performance indicators or being able to access a portal on the distribution business's website and gain information on the status of a development.

Developers also commented that while performance reporting generally shines a light on distribution businesses, it also encourages the development industry to review their processes to ensure developments run smoothly.

This approach would continue the current practice of distribution businesses voluntarily reporting on key performance indicators related to key steps of the negotiated connection process.

AusNet Services, Jemena and Powercor currently publicly report their performance to us every six months. This reporting is done on a voluntary basis under the service improvement commitment agreed to by distribution businesses in 2018. This approach is considered a non-regulatory intervention.

### **What is a key performance indicator in the context of negotiated electricity connections?**

A key performance indicator measures how well key elements of the negotiated connections process are being done. They can also include a target or expected level of performance. The target or expected level can be changed over time to reflect improved processes or encourage future improvements.

An example of a key performance indicator with a target could be:

*The time taken to complete a construction audit measured from the time of request by the customer.*

*The target or expected performance could be set to five business days.*

### **Benefits of this approach**

This approach combines transparency and public accountability for stages of the negotiated connections process, while giving distribution businesses the flexibility to consider change their performance measures and targets relatively quickly without involving the commission.

Some of the benefits of this approach include:

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- Distribution businesses could use performance reporting information in their negotiated connections policies or other publications to give developers and their contractors a non-binding indication of how long certain non-contestable steps are likely to take.
- Developers may use this information in their planning processes or decide to use these time frames to guide or fix any timeframes included in a negotiated connections contract.
- Distribution businesses could also use the information from this reporting to guide internal reviews on improving their negotiated connections processes and help address issues causing frustrations and delays for developers.
- Distribution businesses could also communicate this information with developers, to help inform maintain effective business relationships and improve connection times.
- Public reporting can also result in maintaining average times to complete stages of the electricity connections process over time or prevent a reduction in resources or quality over time.

This approach also provides flexibility to distribution businesses to amend key performance measures to reflect changes in processes and customer expectations, but also allows distribution businesses to set more ambitious performance targets without the fear of being penalised for failing to meet a target. It may also be the least costly to implement as distribution businesses are already reporting in this way, and changes to reporting would likely only impose incremental costs.

### **What is required for this approach to be successful?**

The main goal of this approach is to increase public transparency of the timeliness to complete stages within the negotiated electricity connections process. Importantly, the key performance measures that are publicly reported on must be meaningful to customers and be robust enough to be taken seriously by distribution businesses. Voluntary reporting would also need an ongoing commitment from senior management within the distribution businesses to be successful.

### **Ensuring appropriate measurement of performance**

Well defined key performance indicators are critical to success. For negotiated connections, we consider that performance measures should only apply to the stages or steps that the distribution businesses or contractors under their direct control undertake – relating to greenfield or underground residential distribution estates. This helps ensure distribution businesses' resources are being directed toward delivering improvements to the areas of most concern to stakeholders. It also focuses key performance measures only on stages that distribution businesses are responsible for.

It is also unlikely distribution businesses will be able to compare performance with other distribution businesses. This is because of differences in the stages of the negotiated connections process that are performed by the distribution business or contractors under their control. Further, where there

are common stages that are performed by the distribution business or contractors under their direct control across more than one distribution business the ways of defining the performance measure may differ.

At this stage, distribution businesses could continue to report performance against the same key performance indicators currently being reported on. Over time, and following consultation with developers and their contractors, distribution businesses could amend the key performance indicators and targets so as they remain relevant and encourage continuous improvement.

We would also expect distribution businesses to collect and report qualitative information about reasons why targets are not met along with any remedial actions to address poor performance. This is important because it shows the extent to which the distribution businesses are committed to continuous improvement.

### **Requiring an ongoing commitment from distribution businesses**

The commission currently provides an oversight role in connection timeframes for distribution businesses through its role in the governance committee – this role is due to finish in October 2020, and was intended to be a temporary and transitional measure to improve connection timeframes in Victoria.

For voluntary performance reporting to be successful, the senior management of distribution businesses would need to commit to ongoing performance measurement and public reporting.

Distribution businesses would need to have in place good governance processes to ensure stakeholder expectations are met. This could help alleviate developer concerns that distribution businesses may lose focus on improving issues related to negotiated connections once the governance committee finishes its role.

Furthermore, to improve transparency and accountability, the commission could also publish voluntary information from distribution businesses on our website or in our Victorian Energy Market Report.

#### **Stakeholder questions 3 and 4 – approach A**

3. 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.

4. What are the opportunities and downsides with this approach that we should be aware of? Please give examples.

## **Approach B – regulating performance reporting**

Another proposed approach is placing obligations in the Electricity Distribution Code that require distribution businesses to report their performance regularly and publicly.

The purpose of this approach is to provide transparency on the performance of distribution businesses for negotiated connection timeframes. Given the performance of distribution businesses will be made public, poor performance can also affect the reputation of distribution businesses, particularly where reporting is not done, or targets are not met.

This approach extends performance reporting described in approach A, but instead of the distribution businesses setting targets the commission would set targets to report against. Further, by establishing reporting requirements in the Electricity Distribution Code, we are able to have a compliance and enforcement remit that allows for actions or penalties to be imposed on distribution business if the requirements were not met.

The approach aligns with the framework proposed by Better Regulation Victoria in its review into the planning and building approvals processes. In 2019, Better Regulation Victoria was requested by the Treasurer and Minister for Planning to review these processes and look for ways to streamline them and reduce delays.

As part of the review Better Regulation Victoria was asked to examine the results of our 2018 review and identify any other ways to reduce delays to negotiated electricity connections. In its discussion paper, Better Regulation Victoria recommended the commission include a performance reporting framework in the Electricity Distribution Code. It would set timeframes to complete the stages or steps a distribution business or contractors under their direct control perform as part of the negotiated connections process, with consequences for non-compliance.<sup>1</sup>

We could implement this approach by including obligations in the Electricity Distribution Code requiring distribution businesses to report their performance in completing the stages or steps that they or contractors under their direct control perform against a range of key performance indicators regularly.

### **The performance reporting framework**

We consider there are two ways to set key performance indicators under the Electricity Distribution Code:

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<sup>1</sup> Better Regulation Victoria, 2019, Planning and Building Approvals Process Review

- a) **Set a maximum timeframe** – we would set a maximum timeframe for a distribution business or contractors under their direct control to complete a stage or step of the negotiated connections process (like approach A).
- b) **Set a timeframe that applies to a target proportion of negotiated connection stages** – for example, we would set the proportion of total events that must be completed within a maximum timeframe. We note that this was suggested by Better Regulation Victoria in its review of planning and building approvals in Victoria.<sup>2</sup>

### Examples of setting targets for regulated performance reporting

#### *Method (a) – maximum timeframe*

The distribution business must complete a final construction audit within 10 business days of a request to do so by a customer.

#### *Method (b) – target proportion of all cases within a maximum timeframe*

The distribution business must complete 90 per cent of all final construction audits within 10 business days of requests to do so by a customer.

### Frequency of reporting and other conditions

We would expect reporting to occur every six months. We consider this is a reasonable period to measure performance over because it is long enough to see trends and take corrective actions if necessary and does not increase reporting burdens.<sup>3</sup>

We would expect the results of performance reporting to be published on distribution businesses' websites and shared with the businesses' developer consultative committees.

Distribution businesses would also need to keep records showing that they had shared results with consultative committees and had put in place processes to regularly review key performance indicators and targets. This is to show a commitment to continuous improvement. Further, the results of these reviews would help inform our consultations when we come to update the key performance indicators and targets from time to time.

Like approach A, we would also expect distribution businesses to collect qualitative information on why targets have not been met along with any remedial actions.

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<sup>2</sup> Better Regulation Victoria, 2019, Planning and Building Approvals Process Review

<sup>3</sup> Reporting occurs every six months under the service improvement commitment.



Because this approach measures performance over a period it will report the average performance for that period. We note developers commented at the last governance committee meeting that they would prefer reporting that measures performance, each time a distribution business or contractors under their direct control complete a stage or step rather than average performance over a period of time.

### **Benefits of this approach**

We consider this approach would incentivise distribution businesses to report their performance publicly and share results with developer consultative committees. Because results must be shared with developer consultative committees this could facilitate the parties to work towards solutions to improve the timeliness of negotiated connections. This could help mitigate fears developers have that once the governance committee finishes its role, distribution businesses will lose focus on providing timely negotiated connections.

Like approach A, this approach provides developers and their contractors with information on the time it takes distribution businesses or contractors under their direct control to complete stages or steps. However, under this approach, the commission would set key performance indicators for distribution businesses to report against – this could provide added transparency and certainty to customers.

Placing obligations in Electricity Distribution Code could also arguably incentivise distribution businesses to report promptly and to higher and more uniform standards than voluntary reporting. Further, we could request results and report them in our Victorian energy market reports which has an extensive reach.

### **What is required for this approach to be successful?**

#### **Setting appropriate performance targets**

Appropriate performance targets are necessary to implement this approach. These could be based on past data to guide whether they are achievable. Initially, we could use historical performance data collected by the distribution businesses to calculate and set timeframe targets. For example, though not limited to, we could:

- use the same targets as those distribution businesses use for performance reporting under the service improvement commitment
- set targets based on an average of the past 12 months performance for each measure
- set targets to reflect the longest time measured over the past 12 months to complete the stage. This would reflect the widest possible range of times
- set targets to any value proposed by the distribution businesses that reflects stakeholder's reasonable expectations.

If method (b) was used to set performance measure targets, we would need to determine the proportion of total cases that needed to be complete within a maximum timeframe. This could be based on the number of cases that are considered relatively 'straightforward'. For example, for illustrative purposes only, 90 per cent of cases are relatively 'straightforward' and the stage is completed on 'average' in five business days.

As noted above, there are some differences between distribution businesses in relation to the stages or steps of the negotiated connections process that they or their contractors perform themselves. Therefore, we may expect some differences in the stages or steps that are subject to regulated performance reporting across the distribution businesses. Further, if we use historical data performance data it is likely targets will differ across the distribution businesses.

### **Meaningful performance measures to allow for continual improvement**

Some stakeholders commented at the last governance committee meeting that adopting a regulated approach could diminish collaboration between distribution businesses and developers. They felt the disciplinary nature of a regulated approach could push distribution businesses towards meeting a target or obligation rather than working flexibly toward a good mutual outcome.

Setting performance targets for negotiated connections stages could also reduce the incentive for distribution businesses to continually improve unless targets were reviewed. Therefore, it is important that the commission regularly revises performance measures, to ensure that the measures are relevant and meaningful.

Additionally, developers can negotiate specific timeframes with distribution businesses that are suitable to an individual project – this may or may not make a regulated reporting regime useful for them.

### **Enforcing obligations**

When we license energy businesses to operate in Victoria, we include licence conditions that require compliance with certain codes and guidelines. If we include obligations relating to reporting negotiated connections performance in the Electricity Distribution Code, distribution businesses would be required to comply.

While our objective is compliance, if breaches occur, we may take a range of further actions if warranted. We focus our compliance and enforcement efforts on those obligations that give rise to the greatest harm to consumers or the wider energy market. We then consider a range of factors, including whether the breach was reported in a timely manner or whether the entity has begun to investigate the root cause and prevent recurrence. The actions we can then take range from issuing warning letters, entering enforceable undertakings to comply, or issuing financial penalties.

It should also be noted that penalties for not complying with these obligations, such as the failure to report publicly on performance, could be introduced – but this would need to be introduced by government. However, the commission could continually monitor performance and consider further regulatory intervention if warranted. A further discussion on penalties for failing to meet targets or achieve certain levels of performance is discussed under approach D.

Further details about our approach to compliance and enforcement can be found in our Energy Compliance and Enforcement Policy.<sup>4</sup>

### **Stakeholder questions (5-9) – approach B**

5. 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?

6. How should timeframes be set: using method (a), method (b), or another method?

7. How should we set reasonable targets (portions of cases that must met within a maximum timeframe or maximum timeframes)?

8. What is a reasonable frequency for regulated reporting?

9. What are the opportunities and downsides with this approach that we should be aware of? Please give examples.

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<sup>4</sup> Essential Service Commission, Energy Compliance and Enforcement Policy, March 2019.

## **Approach C –distribution businesses regularly review and improve the way they manage the negotiated connections processes**

This approach aims to keep distribution businesses accountable for having appropriate management practices to support effective processes relating to negotiated connections.

To implement this approach, an overarching obligation could be included in the Electricity Distribution Code that requires distribution businesses to have appropriate governance and management practices overseeing negotiated connection processes.

This overarching obligation could be complemented by separate guidance issued by the commission, on the type of practices that should be adopted and implemented by distribution businesses. Guidance could be provided on practices such as:

- Reviewing website material to ensure it is consistent with practices.
- Clearly explain each party’s roles and responsibilities under the regulatory framework.
- Communicating in a “two way” manner with developers about progress and reasons for delays in connecting new developments to the electricity supply.
- Establishing forums including developers to discuss and resolve matters related to negotiated electricity connections.
- Reviewing processes for complaints and dispute resolution and ensure they are published and easy to access on the distribution business’ website.
- Publishing a six-monthly performance report setting out:
  - performance against the key performance indicators
  - commentary on reasons if the key performance indicators are not met, and any corrective actions necessary
  - audit performance. This may include data on the number of audits undertaken, the number of audits passed or failed, the number of reaudits and the reasons audits failing
  - an ongoing review cycle for updating targets and key performance indicators.
- Presenting performance reports to stakeholders and engage with them to identify areas of change or for improvement.
- Managing technical standards in ways that improves certainty and transparency about which standards are applicable.
- Reviewing audit processes every 12 months to ensure they are efficient, transparent, fair, predictable, and protected from inappropriate influence.
- Ensuring timely consultation about changes to technical standards or their implementation.
- Regularly reviewing the contestability of components of their negotiated connection services (without compromising distribution network reliability, safety, and performance).

- Preparing and publishing a report annually outlining plans to manage resourcing related to new negotiated connections over the following 12 months.

We could also require written confirmation from each distribution business' senior management that these activities had taken place. This confirmation could be published on distribution business' website pages related to negotiated connections.

It is important to note that guidance would clearly set out the areas of focus for distribution businesses in their management of connection processes – but these specific areas of guidance would not be directly enforceable.

### **Benefits of this approach**

This approach aims to keep distribution businesses accountable for having appropriate management practices governing its negotiated connections processes, to the benefit of the customer. It also encourages continued engagement with the development industry to address root causes of issues, that may include design and construction quality issues, regularly or as they arise.<sup>5</sup>

We expect that over time these requirements would support and enhance the range of asset management activities undertaken by the distribution businesses and help facilitate timely delivery of assets that will be fit for purpose over the longer term.

### **What is required for this approach to be successful?**

#### **An appropriate level of specifying obligations**

In developing regulatory obligations relating to management practices, we need to create the right incentives for distribution businesses to continually improve their practices relating to negotiated connections.

As discussed, we consider that the best way to implement this approach would be to include a general requirement to have appropriate management of negotiated connections, potentially as a clause under the asset management section of the Electricity Distribution Code. This requirement would be supported by guidance that sets out specific processes or actions a business should take, as described earlier. Our requirements and guidance would aim to support effective business

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<sup>5</sup> It is important to note quality of works undertaken by civil contractors and designers on behalf of developers heavily influences the overall time to connect a new development to the wider electricity networks. Distribution businesses have reported through the governance committee that they still have concerns relating to this.

relationships between distribution businesses and the development industry to work toward mutual outcomes.

### **Enforcing obligations**

If we placed obligations for the appropriate management of negotiated connections in the Electricity Distribution Code, distribution businesses would be required to comply with these obligations. The commission can carry out a range of compliance and enforcement actions if a distribution business breached its obligations. However, it is important to re-iterate that any guidance issued by the commission supporting these obligations would not be directly enforceable.

As with approach B, penalties could be imposed on distributors for not complying with these obligations – but these penalties would need to be introduced by government. However, the commission could continually monitor performance and consider further regulatory intervention if warranted.

#### **Stakeholder questions 10-13 – approach C**

10. 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 should be included?

11. Are there some of the listed obligations that could be removed? Please provide support for your response.

12. Which requirement(s) should be enforceable through the Electricity Distribution Code? Are there any requirements that are best implemented through guidance?

13. What are the opportunities and downsides with this approach that we should be aware of? Please give examples.

## **Approach D – regulating the timeframes to undertake stages of the negotiated connections process**

Developers have expressed to us that they would like more certainty about how long distribution businesses or contractors that the distribution businesses directly engage are likely to take to complete stages or steps of the negotiated connections process – and that this could be in the form of specific regulated timeframes.

The commission considers there are two possible ways to regulate timeframes under this approach:

- a) **Set maximum timeframes** – distribution businesses must complete certain stages or steps of the negotiated connections process within a maximum timeframe. If a distribution business does not meet the target timeframe, penalties could apply.
- b) **Set yearly targets** – distribution businesses must complete stages or steps within a maximum timeframe, for all connections on average across a year. In this case the average performance would be measured over a given year. If a distribution business does not achieve its target performance, penalties could apply.

### **Benefits of this approach**

We consider the key benefit of this approach is it would most strongly incentivise a distribution business to complete the stages or steps it, or contractors under its direct control perform within maximum timeframes. This is either for each specific case or on average over a given year. This could also give developers and their contractors more certainty about when they can expect a stage to be completed. This assumes that they have not negotiated and agreed another timeframe to complete the stage with the distribution business.

We have also observed that some distribution businesses are incorporating maximum timeframes for various stages in the negotiated connections process. For example, Powercor states it will endeavour to review master plans within 20 business days, design plan changes within 10 days, and will let customers know of non-compliance within 10 business days of the completed audit.<sup>6</sup>

### **What is required for this approach to be successful?**

#### **Considering the current rules related to negotiated connections**

We also recognise that currently in Victoria, negotiated connections processes are regulated by the National Electricity Rules – specifically, Chapter 5A of the National Electricity Rules which was

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<sup>6</sup> Powercor, contestable works agreement, May 2019. A copy of the agreement can be found [here](#)

adopted by the Victorian Government in 2016. As we noted in our final report into the review of timely negotiated electricity connections, Chapter 5A focuses on supporting negotiation between distribution businesses and their customers – described as negotiated connections – and this currently provides for flexible timeframes.<sup>7</sup> This means that most aspects of the connection arrangements are negotiated through unique contractual terms between distribution businesses and customers, and this includes timeframes for connection.

We will have regard to these rules when considering new requirements for distribution businesses under this approach.

### **Enforcing timeframes**

To be able to investigate any potential breach of regulated timeframes and take further action to enforce compliance, we would need evidence that the distribution business was solely at fault for the non-compliance. This puts the onus on distribution businesses to invest in necessary compliance monitoring and reporting systems to be able to demonstrate compliance with the obligations. This could make this approach relatively more costly.

Penalties could be imposed on distribution businesses for not complying with obligations relating to regulated timeframes – but these penalties would also need to be introduced by government. It should be also noted that penalties could apply differently, depending on the type of regulated timeframe introduced. Under a ‘maximum timeframe’, a distribution business could be issued a penalty each time a timeframe is not achieved for an individual connection stage or step. Under a ‘yearly target’, a distribution business could be penalised once a year where it does not achieve the average performance across all relevant connection stages or steps during the year.

Regulated timeframes will also compel distribution businesses to work directly towards these targets. Therefore, it may also be important to regularly review these regulated timeframes based on on-going performance and customer expectations.

#### **Stakeholder questions 14-15 – approach D**

14. What are your views on regulated maximum timeframes, compared to a negotiated timeframe unique to each stage in each development?

15. What are the opportunities and downsides with this approach that we should be aware of? Please give examples.

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<sup>7</sup> Essential Services Commission 2018, Advice on electricity regulation – timely electricity connections, 7 September 2018, p9.



### **Stakeholder questions – general**

16. Which approach or combination of approaches or parts of approaches would address your issues now and manage negotiated connections effectively over the longer term?

17. Is there another approach not documented here that would be effective?

# Improving the timeliness of negotiated electricity connections

## Background

In May 2018, the Minister for Finance requested advice from the commission about whether the regulatory framework could be enhanced to facilitate more timely negotiated electricity connections.

Our review focused on issues relating to connecting developments in greenfield areas to electricity distribution businesses' wider networks. These connections are often negotiated between the developer and distribution business directly because they are complex and require bespoke agreements.

We concluded that the regulatory framework underpinning negotiated connections was not the main cause of delays in connecting new developments to the networks.<sup>8</sup> Most delays and frustrations were caused by a combination of high growth rates, distribution business practices and poor works quality by developers and their contractors. In response we developed a suite of practical voluntary initiatives that the distribution businesses agreed to implement.

This section summarises the issues identified in 2018 and what has happened since to improve the timeliness of negotiated electricity connections.

## Causes of delays in negotiated connections

The negotiated connection process consists of six stages (see figure 1). Through our 2018 review we identified that major delays were occurring in the service master plan (stage 2), construction audit (stage 5) and electrical 'tie-in' (stage 6).<sup>9</sup>

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<sup>8</sup> Our advice can be found [here](#).

<sup>9</sup> Stages 7 and 8 are outside the scope of this issues paper. It should be noted at the time of the review builders did note delays at these stages. However, subsequent performance reporting has shown the AusNet Services, Jemena and Powercor have been meeting the regulated timeframe for these connections of 10 business days.

**Figure 1: Stages in the negotiated connections process**

Negotiated connection – construction of assets to connect development to the existing network						Basic or standard connection (lot level interactions)	
Stage 1	Stage 2	Stage 3	Stage 4	Stage 5	Stage 6	Stage 7	Stage 8
Precinct Structure Plan and Planning Scheme	Service Master Plan (Network Scope Plan)	Network reticulation design	Construction management and delivery	Construction audit	Electrical ‘tie-in’	Energisation, builder temporary supply	Energisation, customer connection via a retailer

The review in 2018 showed the main causes of delays were due to:

- mismatched timing of distribution businesses’ and developer’s incentives
- inadequate customer focus of distribution businesses
- rapid growth in new lots constructed and resource constraints
- auditing practices of some distribution businesses
- declining quality of civil work including electrical installation
- the management of technical standards set for industry
- poor understanding of regulatory framework by developers.

Some of the causes were interrelated. For example, the rapid increase in lots constructed (to meet demand) affects the availability of resources and potentially the quality of works as developers (contractors) are under pressure to complete works as quickly as possible.

### **Mismatched timing of incentives**

Distribution businesses and developers both have strong incentives to gain customers. However, a developer’s relationship with a customer only lasts up to the point of land sale, while distribution businesses need to consider ongoing service to customers, as well as the way new customers affect the services received by existing customers.

Our review noted that the need for distribution businesses to consider the longer-term performance of their networks could cause frustrations and/or delays for developers. This was especially when the quality of developer’s or their contractor’s works did not meet the distribution business’s standards.

## Inadequate customer focus

Some developers commented that distribution businesses could be challenging to deal with, and considered distribution businesses did not see developers or builders as customers.

Developers noted it was sometimes difficult to contact distribution businesses to discuss issues related to their development. Further, there were instances of distribution businesses communicating with contractors and not developers, leaving developers being misinformed or uninformed about progress of their negotiated connections.

Some developers and their contractors also observed that distribution businesses did not have set timeframes to complete critical steps in the negotiated connections process.

## Rapid growth in new lots constructed and resource constraints

Developers, contractors, and distribution businesses all commented that over the 2017–2018 period there was a rapid increase in the number of new lots constructed across Melbourne's growth areas. This put a strain on the availability of suitably qualified people (on the distribution business *and* developer sides) to undertake work related to new negotiated connections.

## Auditing practices

During the 2018 review, developers and contractors claimed that Powercor and AusNet Service's final audit processes were inefficient. Of concern was Powercor's:

- 'walk off' policy<sup>10</sup>
- reluctance to allow real time remediation of cosmetic defects
- time taken to re audit a site (after a failed audit).

Stakeholders also raised concerns that AusNet Services only accredited one audit firm to do final construction audits on its behalf, leading to unnecessary delays.

## Quality of work

Many stakeholders commented that the quality of civil work (including electrical infrastructure installation) had declined over the past few years. The decline meant that audits were less likely to pass. A failed audit requires some rework and re-auditing. This adds to delays in connecting the development. This led to concerns about whether personnel working on site have appropriate training and qualifications.

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<sup>10</sup> This was where the auditor would stop the audit if a number of issues were identified and not complete the audit until the issues identified were rectified.

## Technical standards

The design and installation of electrical infrastructure is done in accordance with technical standards. Our review found general recognition across distribution businesses, developers, and contractors that the way technical standards were managed could be improved. Concerns raised by stakeholders were:

- some standards were ambiguous, allowing for different interpretations of standards by distribution businesses, designers and auditors
- some standards were not readily accessible
- there were opportunities to harmonise some standards across distribution businesses
- changes to standards were sometimes poorly communicated.

## Contestability

Victorian distribution businesses can and do allow elements of the negotiated connections process to be contestable, that is, developers can appoint their own contractors to do the work. While practices vary across the distribution businesses, design stages and construction stages are usually contestable.

Stakeholders expressed concern that allowing distribution businesses to choose which steps in the negotiated connection process are, or are not, contestable allowed monopoly behaviour and associated inefficiencies. Some distribution businesses have allowed contestability during the design plan and audit steps as part of negotiated connections.

Stakeholders considered that increasing the scope of work that could be made contestable would increase the pool of resources that are able to undertake the work. However, stakeholders also recognised that distribution businesses should retain the final say on acceptance of assets transferred at completion, to ensure network safety and reliability.

## Regulatory framework

Through our discussions with stakeholders about the regulatory framework underpinning negotiated electricity connections we found that:

- developers and their contractors did not have a good understanding of the regulatory framework
- there may be some gaps, overlaps and inconsistencies in the regulatory framework
- developers and contractors did not understand the distribution businesses negotiated connection policies and practice and did not utilise existing rights (such as dispute resolution processes).

Our upcoming reform program over 2020–21 and beyond will consider matters related to the regulatory framework underpinning negotiated connections.

Improving the timeliness of negotiated electricity connections

## Service improvement commitment

The Victorian Government conveyed to us a sense of urgency to develop practical solutions that would improve the timeliness of negotiated connections. We responded by developing a suite of voluntary initiatives under a service improvement commitment. Senior management from AusNet Services, CitiPower/Powercor/United Energy, and Jemena all committed in writing to us that they would implement the initiatives.

The initiatives under the service improvement commitment sought to deliver the following outcomes:

- improve the distribution businesses customer service focus
- minimise avoidable delays in connecting greenfield developments to existing distribution networks
- improve the way distribution businesses manage technical standards
- improve the way audits are performed
- promote efficient competition in negotiated connection services (or component steps)
- encourage initiatives to increase resourcing related to new negotiated connections.

Distribution businesses have also been a part of a governance committee chaired by our Chief Executive Officer and attended by representatives of the development industry.<sup>11</sup> The committee's key function is to oversee the delivery of the commitment and other initiatives.<sup>12</sup> The governance committee has met nine times and at this stage is expected to finish its term in October 2020.

## Delivering the service improvement commitment

Since the governance committee was established, distribution businesses have undertaken a range of initiatives to deliver their commitment and improve their processes relating to negotiated electricity connections.<sup>13</sup>

We have summarised progress toward each of the outcomes being sought under the service improvement commitment below.

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<sup>11</sup> Membership: Powercor, AusNet Services, Jemena, Urban Development Institute of Australia, Property Council of Australia, Victorian Planning Authority and Essential Services Commission.

<sup>12</sup> The minutes from these committee meetings are published on our website ([www.esc.vic.gov.au/electricity-and-gas/inquiries-studies-and-reviews/electricity-connections-process-review-2018](http://www.esc.vic.gov.au/electricity-and-gas/inquiries-studies-and-reviews/electricity-connections-process-review-2018)).

<sup>13</sup> Distribution businesses submit service improvement updates to us ahead of every governance committee meeting. We publish these updates on our website at ([www.esc.vic.gov.au/electricity-and-gas/inquiries-studies-and-reviews/electricity-connections-process-review-2018](http://www.esc.vic.gov.au/electricity-and-gas/inquiries-studies-and-reviews/electricity-connections-process-review-2018)).

## **Improving negotiated connection policies and procedures**

All distribution businesses have updated their websites and improved information about negotiated connections procedures. They have also made it easier to track the progress of individual projects and allow developers to communicate with the distribution businesses.

Further, each distribution business has set up a committee or panel of developers and contractors to help develop and improve negotiated connection policies and procedures.

## **Minimising avoidable delays**

Each distribution business has set and published a series of key performance indicators to show the timeframes they aim for at various stages of the negotiated connection process.<sup>14</sup>

Further, distribution businesses have implemented teams to be a point of contact for new connections customers. This has improved communication between all parties and allows distribution businesses to communicate delays and the reasons for them.

## **Managing technical standards**

Distribution businesses have set up the Victorian electricity distribution technical standards review committee to harmonise the various standards that developers and contractors need to meet when adding to the network.<sup>15</sup>

The committee has representatives from the distribution businesses, Victorian Planning Authority, development, land development engineering, civil contracting, and electrical design industries. Commission staff attend in the capacity of observers. The committee has made progress and we have heard that the changes, when implemented, will help improve the timeliness of negotiated connections. The work of the committee has also led to distribution businesses working on accreditation processes for third parties wishing to perform civil works.

## **Improving audit process and practices**

Construction auditing is conducted differently by each distribution business, for example, Jemena has made the audit process a contestable element of the negotiated connection process, while Powercor does the auditing in house and often received complaints about their process.

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<sup>14</sup> These are published on our website. Some distribution businesses also publish their performance on their own websites.

<sup>15</sup> The technical standards committee was established in the first half of 2019.

Since 2018, the distribution businesses have reviewed their auditing process and made several changes including:

- Powercor has stopped its 'walk-off' policy, increased auditing resources, allowed for real time fixes or photographic evidence and set public performance measures.
- AusNet Services has increased the audit pool available and set public performance measures.

Following the changes, we have heard more general comments from stakeholders that auditing processes have improved since the 2018 review.

### **Promoting efficient competition**

All distribution businesses have reviewed contestability of the negotiated connections process. Activities that have been conducted to improve competition include improving communication around the process and which parts are contestable, making more aspects open to competition, and improving the accreditation process for contractors wishing to enter this market.

Further, both Powercor and AusNet Services have stated that they actively engaged in the Australian Energy Regulators service classification review.<sup>16</sup> Part of that review investigates what distribution service is classified as negotiable and the framework it follows. It can determine which of the distribution services has more competition than other parts.

### **Resource constraints**

All distribution businesses have improved their resourcing in the negotiated connection space. We understand teams have been set up to manage negotiated connections relationships and are communicating better with customers. Distribution businesses have increased (or are in the process of increasing) the number of auditors available, which is one area where a resource shortage was identified.

## **Measuring performance**

The service improvement commitment requires the distribution businesses to prepare six-monthly performance reports.<sup>17</sup> The focus of the reports is on the times the distribution businesses take to complete stages or steps related to connecting greenfields developments to the wider distribution networks. These developments predominately concern AusNet Services, Jemena and Powercor.<sup>18</sup>

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<sup>16</sup> the AER's service classification is periodically reviewed prior to the start of a new regulatory period. The last review happened in 2018. The current service classifications become active in October 2018.

<sup>17</sup> We also publish performance reporting [here](#).

<sup>18</sup> Reporting focuses on Powercor, Jemena and AusNet Services as Citipower and United Energy have very few if any greenfield developments that are subject to negotiated connections.



This reporting helps to demonstrate where improvements have been made, to build trust and cooperation between all parties, and improves understanding of the time it takes distribution businesses to complete stages.

The 2018 review highlighted three critical steps that developers and contractors had issues with – master planning, auditing asset construction and electrical tie-in.

The tables below show how performance in these areas has changed since the review. It should be noted where a business has not reported performance it is because the step is contestable and outside the businesses control – we have identified when this is the case.

We also note that distribution businesses have different key performance indicators. This reflects different priorities for distribution businesses and developers and contractors working in different distribution zones. It also should be noted before the 2018 review some distribution businesses did not have targets for certain stages and the times to complete the stages are based on stakeholder estimates.

Further, the distribution businesses have reported on a range of other key performance indicators related to negotiated connection stages that are specific to them and developers that operate in their areas. Full details on performance reporting can be found on our website.

Based on this performance reporting, we have observed significant improvement from Powercor, the distribution business we received the most complaints about during the review.

## **Master planning**

At the time of the review, stakeholders were particularly concerned that it could take up to three months for Powercor – the only distribution business that does not have the master plan stage contestable – to complete this stage.

Table 1 shows that Powercor has achieved significant improvements, mostly due to making this stage contestable and revising the process. This means instead of Powercor preparing master plans, this work can now be done by developers' consultants.

Powercor now only approves master plans. This has resulted in Powercor removing the need for network scoping from the critical path.<sup>19</sup> The effect of this is Powercor have reduced the time they are involved in the master planning stage from 40 to 100 days in 2017-2018 to within 11 days on average.

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<sup>19</sup> Powercor, Governance Committee Report #9 – 7 May 2020, p7

**Table 1: Master planning stage**

		2017-18*	Jan-Jun 2019	July-Dec 2019	Jan-Mar 2020
AusNet Services	target		15 days	15 days	15 days
	result	5-10 days	> 15 days	< 15 days	Average 9.4 days
Jemena	target		15 days		
	result	> 10 days	20 days	not reported	not reported
Powercor	target		10 days	10 days	10 days
	result	40-100 days	16 days	16 days	11 days

\*estimated by stakeholders during the 2018 review

## Construction auditing

The completion of construction audits within targets has generally been met by Powercor and AusNet Services. AusNet Services noted that their latest performance reflects the Christmas break and the bushfires that affected their network during the summer. Powercor has shown good performance as their average times are at the lower end of their target band.

As table 2 highlights, the construction auditing processes are normally being completed within five to 10 days. It should be noted that this measure only captures the final audit and does not represent the time taken to rectify any issues identified in a failed audit.

**Table 2: Construction auditing stage**

		2017-18*	Jan-Jun 2019	July-Dec 2019	Jun-Mar 2020
AusNet Services	target		100 per cent return within 10 days	100 per cent return within 10 days	100 per cent return within 10 days
	result	5 days	100 per cent within 10 days	99.7 per cent within 10 days	94 per cent within 10 days
Jemena	target		contestable not measured	contestable not measured	contestable not measured
	result	5 days			
Powercor	target		5-8 days	5-8 days	5-8 days
	result	10 days	6.1 days	6.7 days	5.5 days

\*estimated by stakeholders during the 2018 review

Improving the timeliness of negotiated electricity connections

## Electrical tie-in

Electrical tie-in is the last step in the negotiated connections process. It occurs after the statement of compliance is issued at the auditing stage. Once the newly constructed assets are tied into the electrified network, electricity can be supplied. In 2018, developers were concerned that it could take up to six months to get a development tied-in to the wider electricity network. Table 3 demonstrates Powercor improved its time to complete electrical tie-ins and largely meets dates agreed between it and a developer to complete the tie-in.

The negotiated approach delivers the most certainty to developers which we have heard is important. This is understandable as it allows the tie-in to be done when it best suits the overall development schedule.

**Table 3: Electrical tie-in stage**

		2017-18*	Jan-Jun 2019	July-Dec 2019	Jun-Mar 2020
AusNet Services	target		contestable	contestable	contestable
	result	20-180 days	not measured	not measured	not contestable
Jemena	target		contestable not measured	contestable not measured	contestable not measured
	result	20-180 days			
Powercor	target		50 days	20 days or agreed date <sup>20</sup>	20 days or agreed date
	result	40-180	42.8 days	93 per cent by agreed date	97 per cent by agreed day

\*estimated by stakeholders during the 2018 review

<sup>20</sup> A very small number of customers have used the default 20 days. Most connections since this approach was introduced have elected to negotiate an agreed date.

# How we regulate the energy sector

## Our role and objectives

The commission is Victoria's independent economic regulator. Under the Essential Services Commission Act 2001, our key objective is to promote the long-term interests of Victorian consumers with respect to the price, quality, and reliability of essential services.<sup>21</sup>

## The legal framework underpinning negotiated electricity connections

In Victoria, there are two regulatory frameworks that apply to negotiated, basic and standard connections. These are the national electricity regulatory framework under the National Electricity Legislation and the National Energy Rules,<sup>22</sup> and the Victorian electricity regulatory framework established under the Electricity Industry Act 2000 and the Essential Services Commission Act 2001. Both frameworks are established under Victorian law and apply concurrently.<sup>23</sup>

Under Chapter 5A of the National Electricity Rules connections are classified as basic, standard or negotiated. One key difference between basic or standard connections and negotiated connections is that distribution businesses are obliged to publish Australian Energy Regulator approved model standing offers for basic connections on their websites, and may elect to have model standing offers for standard connection services.<sup>24</sup>

Negotiated connections are more complex, non-standard, bespoke arrangements, with all terms and conditions negotiated directly between a developer and the distribution business and captured in a negotiated connection agreement.

Under the Victorian electricity regulatory framework, electricity distribution licences are the primary mechanism used to regulate distribution businesses. Anyone supplying or selling electricity in Victoria must hold an electricity distribution licence granted by the commission, or be exempt from the requirement.<sup>25</sup> We may grant distribution licences subject to any conditions we consider appropriate having regard to our objectives under the Electricity Industry Act 2000 and the

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<sup>21</sup> Section 8 of the Essential Services Commission Act 2000.

<sup>22</sup> The 'national' electricity framework is not enshrined in Commonwealth legislation. Rather, the NEL was initially passed in South Australia under the National Electricity (South Australia) Act 1996 (SA) and was then adopted in each of the participating states by their own legislation. Victoria has implemented Chapter 5A in Schedule 2 of National Electricity Victoria Act (2005).

<sup>23</sup> National Electricity Victoria Act (2005), section 6.

<sup>24</sup> Subject to the Australian Energy Regulator's approval.

<sup>25</sup> Electricity Industry Act (2000), section 16.

Essential Services Commission Act 2001.<sup>26</sup> Distribution licences are issued subject to compliance with a number of instruments including:

- Electricity Distribution Code
- Applicable guidelines, including:
  - guideline 9: Electricity Industry - regulatory audits of distribution and retail businesses
  - guideline 14: Electricity Industry - provision of services by electricity distribution businesses.

The Electricity Distribution Code regulates the supply of electricity by a distributor to its customers, and the connection of a customer's electrical installations to the distribution system.<sup>27</sup>

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<sup>26</sup> Electricity Industry Act 2000, sections 19–20.

<sup>27</sup> Electricity Distribution Code V9, clause 1.1.

# Appendix A: Service improvement commitment

The table below highlights the outcomes being sought, and the nature of commitments from the distribution businesses to address each issue in detail. The commitments may vary across distribution businesses, depending on measures and practices already in place.

The commitment should address how and when the distribution business will implement (or have already implemented) the proposed measures and commit to regular reporting on progress to the governance committee.

**Table A1: Matters for inclusion in the service improvement commitment**

Outcome sought	Commitment from distribution business
<p>1. Improving developers and contractors understanding of the distribution business' policies and practices, or how they can influence them.</p>	<p>Each distribution business will improve communications and customer focus by:</p> <ul style="list-style-type: none"> <li>ensuring website material is consistent with practices.</li> <li>clearly explaining each party's roles and responsibilities under the regulatory framework.</li> <li>identifying opportunities for stakeholders to participate in relevant regulatory decisions. (For example, Australian Energy Regulator connection service classification decisions for distribution businesses and distributor connection policies).</li> <li>developing ways to communicate in a "two way" manner with developers about progress and reasons for delays in connecting new developments to the electricity supply.</li> </ul> <p>Establishing a consultative panel (committee) including developers to discuss and resolve matters related to electricity connections. This committee could be dissolved once confirmation is made that issues described above have been addressed.</p>
<p>2. Minimising avoidable delays in connecting greenfield developments to existing distribution networks.</p> <p>Related to this:</p> <ul style="list-style-type: none"> <li>making the processes and reasons for delays transparent</li> </ul>	<p>Each distribution business will draw on existing processes, and any improvement initiatives already underway, and results of stakeholder engagement to undertake the following measures:</p> <ul style="list-style-type: none"> <li>setting target timeframes for specified stages of the negotiated connection process.</li> <li>developing meaningful KPIs for each timeframe target. For example 95% of a defined action to be completed within the target timeframe.</li> </ul>

Outcome sought	Commitment from distribution business
<ul style="list-style-type: none"> <li>establishing a clear process for developers to raise persistent complaints, or for addressing them.</li> </ul>	<p>Publishing a regular performance report setting out:</p> <ul style="list-style-type: none"> <li>performance against the KPI</li> <li>commentary on reasons if the KPIs are not met, and any corrective actions necessary.</li> </ul> <p>The performance report will also include matters related to audit performance described under item four.</p> <p>Presenting performance reports to stakeholders and engaging with them to identify areas of change or for improvement.</p> <p>Performance reports should be prepared every six months. Establishing an ongoing review cycle for updating targets and KPIs.</p> <p>Exploring the development of a service level agreement (SLA).</p> <ul style="list-style-type: none"> <li>The SLA should be developed in consultation with stakeholders.</li> <li>The SLA should be referenced or incorporated in Victorian distribution businesses' connection policies as part of the 2021–25 network price determinations.</li> </ul>
<p>3. Minimising avoidable delays in connecting greenfield developments to existing distribution networks.</p>	<p>Publishing the steps to escalate a complaint in relation to new connections on the distribution business's website. This will include placing a link on the distributor's website to a complaints register to be established by the commission. The register will log complaints raised by stakeholders in relation to the connections process.</p>
<p>4. Improving how technical standards are managed and communicated, including:</p> <ul style="list-style-type: none"> <li>making standards across distribution businesses consistent allowing for justifiable differences</li> <li>ensuring consistent interpretation of standards by</li> </ul>	<p>The distribution businesses will lead the development of a new technical standards committee whose indicative membership will include: distribution businesses, developers, councils, electrical designers, civil constructors, electrical cable installers, Energy Safe Victoria and the Victorian Planning Authority.</p> <p>The standards committee will be responsible for (but not limited to):</p> <ul style="list-style-type: none"> <li>harmonising standards where possible</li> <li>providing a forum for raising issues and sharing information</li> </ul>

Outcome sought	Commitment from distribution business
<p>different distribution businesses and auditors</p> <ul style="list-style-type: none"> <li>improving certainty and transparency about which standards are applicable</li> <li>ensuring timely consultation about changes to standards or their implementation.</li> </ul>	<ul style="list-style-type: none"> <li>issuing practice/policy guidance notes establishing principles to follow, identifying best practice or suggesting actions.</li> </ul> <p>The standards committee will draw on practical experiences (including insights from the Victorian Planning Authority, and commission reviews) to prioritise its work.</p> <p>The standards committee will invite the commission to attend committee meetings as an observer.</p> <p>The standard committee may choose to base its structure and governance arrangements on an organisation like the Melbourne Retail Water Agencies.</p>
<p>5. Review and improve audit process and practices. This includes ensuring:</p> <ul style="list-style-type: none"> <li>audit processes are efficient, transparent, fair, predictable, and protected from inappropriate influence</li> <li>appropriate pricing of audit services.</li> </ul>	<p>Each distribution business will develop a program to improve its audit process and practices. Suggestions for improving the audit process include:</p> <ul style="list-style-type: none"> <li>finishing audits even if it would be a fail</li> <li>maximising opportunities for real time remediation of defects</li> <li>auditing interim milestones and providing feedback to developers so as they can fix any defects before the final audit</li> <li>including times for audit and re-audits within a service level agreement (discussed above)</li> <li>adopting common audit process across all distribution businesses</li> <li>increasing the number of auditors available (potentially through contestability).</li> </ul> <p>Each distribution business will publish an audit performance for feedback every six months. The report may include data on the number of audits undertaken, the number of audits passed or failed, the number of re-audits and the reasons audits fail. This report will form part of the performance report described under item two.</p> <p>Each distribution business will seek appropriate service descriptions and classifications for audit services as part of the Australian Energy Regulator Service Classification process for the 2021–25 Victorian electricity distribution price review (for example, each will consider ‘fast-tracked audit services’ and ‘audit revisits’ as possible alternative control services).</p>



Outcome sought	Commitment from distribution business
<p>6. Promoting efficient competition in connection services (or component parts).</p>	<p>In the next six months each distribution business will review the contestability of components of their connection services. This will occur where contestability can deliver timeliness, cost savings and enhanced user experiences, without compromising distribution network reliability, safety and performance.</p> <p>Each distributor to use the Australian Energy Regulator Service Classification process at the beginning of each price review (NER, chapter 6) for the Energy Regulator to seek appropriate service descriptions and service classifications to facilitate competition.</p> <p>Each distribution business will prepare a report on the matters discussed above under item five. The report is due by 28 February 2019.</p>
<p>7. Resource constraints – increased number of developments and associated pressure on qualified industry resources.</p>	<p>Each distribution business will prepare a report outlining its initiatives to increase resourcing related to new connections. The first report is due by 30 November 2018. Annual reports will then be prepared for the next three years.</p>