

Our Ref: CM-10085

12 March 2021

Ms Kami Kaur
Acting General Manager - Distribution
Australian Energy Regulator
GPO Box 520
MELBOURNE VIC 3001

Submission emailed to: VIC2021-26@aer.gov.au

Dear Ms Kaur

SUBMISSION - POWERCOR'S REVISED REGULATORY PROPOSAL 2021 TO 2026

Energy Safe Victoria (ESV) welcomes the opportunity to provide a submission to the Australian Energy Regulator (AER) in regards to Powercor's December 2020 Revised Regulatory Proposal for the 2021–26 regulatory control period.

Our transforming safety role

ESV is Victoria's electricity and gas safety regulator. We are an independent government agency responsible for the safe generation, supply and use of electricity, gas and pipelines. We are governed by a three-member commission, and are currently leading a transformation program to modernise and strengthen our regulatory capacity and performance.

In developing into a more modern and effective regulator, ESV has recently established a dedicated asset management team. The purpose of this team is to examine in depth the asset management practices of the Victorian distribution and transmission businesses. This is driven by the understanding that much of the Victorian network was built within a fairly short timeframe and there is a risk that much of it will, in future, require replacement within a short timeframe.

ESV has to be satisfied that the distribution businesses are managing their assets in a manner that ensures they are doing all they can as far as is practicable to prevent harm to the community. That harm can be direct through asset failure, indirect, through asset failure causing catastrophic bushfire or through reduced reliability. ESV understands that actions taken today, or indeed action not taken today, can have serious consequences for the community in subsequent decades.

Promoting prevention

ESV's prevention first and data-driven safety agenda aims to regulate the distribution and transmission businesses to ensure they are doing all that is practicable to maintain public safety (a requirement of the Electricity Safety Act). This includes ensuring their networks are not allowed to (a) present an immediate threat and (b) reach a state where there may be insufficient time and resource to avert a future immediate threat.

Building on our risk-based approach, ESV has identified a series of strategic initiatives to more effectively prevent harm. These initiatives are outlined in detail in the ESV Corporate Plan 2020-2023. The management of electricity supply infrastructure assets to minimise fire risks

in high risk bushfire areas has been an area of focus; and in particular ESV is in the process of undertaking a comprehensive review of the sustainable pole management practices of all the Victorian electricity distribution businesses. This work is expected to be completed at the end of 2021.

Powercor's December 2020 Revised Regulatory Proposal

We have reviewed Powercor's revised regulatory proposal in the context of our role as Victoria's energy safety regulator. While we do not offer reflections on the merits of Powercor's proposal, we consider it prudent to provide the AER with our reflections on Powercor's approach to asset management.

ESV has been actively engaging with Powercor on its asset management program for several years to promote a safe Victorian network. We have been doing this because we have observed sub-optimal outcomes by Powercor, particularly relating to pole replacement. For example, we examined Powercor's pole management practice following the Victorian St Patrick's Day fires in 2018. We found Powercor's asset management practice to be inadequate and requested Powercor to review its approach to pole management and its rate and criteria for pole replacement.

The detailed assessment of Powercor's wood pole management approach also found that Powercor's management practices:

- were leading to declining performance through the 2016-2019 period with Powercor recording a notable rise in its wood pole failure rate during the period;
- would not provide sustainable safety outcomes; and
- required an elevated level of intervention to be maintained (a four to eight fold increase based on ESV's review and a Powercor internal review) to provide confidence that sustainable safety outcomes will be delivered.

Overall, based on the available information, it is clear that Powercor needs to invest more in their pole replacement program.

Enforcing compliance for the safety of Victorians

ESV has not yet determined whether Powercor's current performance gives rise to any potential breaches of the Electricity Safety Act. If a breach is found, ESV will hold Powercor to account and, if it believes it necessary, do all it can to require Powercor to deliver appropriate levels of investment to meet its obligations under the Electricity Safety Act. Indeed this applies to all of the transmission and distribution businesses, which will all be subject to similar scrutiny in the coming years.

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Yours sincerely

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Marnie Williams
Commissioner and Chairperson
Energy Safe Victoria