

# **Jemena Electricity Networks (Vic) Ltd**

## **2016-20 Electricity Distribution Price Review Regulatory Proposal**

### **Revocation and substitution submission**

Attachment 8-7 Letter from JEN to ESV (23  
November 2015)

Public

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23 November 2015

Jemena Electricity  
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Via email

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*Paul*

Dear Mr ~~Fearon~~

### **Guidance on compliance and audit under Electricity Safety (Electric Line Clearance) Regulations 2015**

As you will be aware one of the issues under consideration in the current regulatory price review for the Victorian Distribution Networks is the impact of changes to vegetation management practices as a result of the passing of the Electricity Safety (Electric Line Clearance) Regulations 2015 (**2015 Regulations**).

On 13 July 2015, Jemena Electricity Networks (**JEN**) submitted our proposal for a step change to reflect the costs of complying with the 2015 Regulations.

Our step change included the sorts of costs referred to in JEN's submissions to the ESV during the Regulatory Impact Statement (**RIS**) process together with some additional costs necessary to address new obligations contained in the 2015 Regulations which did not appear in the Exposure Draft circulated during the RIS process.

Details of our step change are set out in Attachment 1 to this letter.

### **The AER's Preliminary decision**

On 28 October 2015 JEN received the AER's Preliminary Decision. In the Preliminary Decision, the AER rejected JEN's step change.

In explaining the basis of that rejection the AER referred to correspondence and consultation between the ESV and the AER including the following comments by the ESV:

*"ESV does not accept that the new regulations will have cost impacts in the order of those claimed by the distribution businesses. The distribution businesses' interpretation does not reflect either the final regulations gazetted or the intent that ESV will clarify through more detailed guidance notes."<sup>1</sup>*

*"The ESV also noted that it made amendments to reintroduce exceptions for structural branches in relation to both insulated and uninsulated electric lines*

<sup>1</sup> AER, Preliminary Decision - Jemena distribution determination 2016 to 2020 Attachment 7 – Operating Expenditure October 2015 page 7-72

*which returns the flexibility of ELC 2005 where practicable...The ESV noted that the removal of these exceptions in ELC 2010 increased costs over time and expects that the reintroduction of these exceptions in ELC 2015 should decrease pruning costs over time.*<sup>2</sup>

The AER also indicated in its Preliminary Decision that:

- the ESV had advised that it "...intends to provide guidance to all Victorian distributors to ensure that they understand the manner in which the ESV will administer its rules."<sup>3</sup>; and
- "Following guidance from the ESV, we expect Jemena's revised proposal to reflect the manner in which the ESV will administer its rules. The revised proposal should also clearly discuss any cost savings from the reinstatement of insulated cable exceptions as well as cost increases for new pruning and notification requirements."<sup>4</sup>

### **Guidance from the ESV**

JEN is seeking formal guidance from the ESV in relation to the matters raised by the AER in the Preliminary Decision.

In particular, we would be grateful if you could advise:

- (a) when the ESV will be in a position to provide guidance to the Victorian distributors on the manner in which it will administer the 2015 Regulations;
- (b) how the ESV considers the distribution businesses have interpreted the final regulations and how that interpretation differs from, or does not reflect, the final regulations or the ESV's intent;
- (c) what material the ESV has had regard to in assessing or determining the likely cost impacts of the 2015 Regulations on the distribution business;
- (d) the basis upon which the ESV considers the new regulations do not have the cost impacts set out in the distribution businesses' proposals;
- (e) how the ESV considers that the removal of the exceptions in ELC 2010 will provide a benefit to JEN over the regulatory period 2016 – 2020; and whether the ESV has undertaken a cost analysis of any such benefit.

We also note that the AER refers to a document entitled "*Energy Safe Victoria, ESV audit intent, 28 July 2015*" in the Preliminary Decision. We requested a copy of this document from the AER. The document provided to us is not on ESV letterhead, appears to be an extract from another document or email and appears to be in response to a request for information. In order for us to understand the context in which the comments in this ESV document have been provided, we would be grateful if you could provide JEN with copies of any correspondence between the ESV and the AER on this issue.

JEN would appreciate a formal response be provided in a timely manner to allow the information to be incorporated in to the JEN response to the AER's Preliminary

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<sup>2</sup> AER, Preliminary Decision - Jemena distribution determination 2016 to 2020 Attachment 7 – Operating Expenditure October 2015 page 7-72

<sup>3</sup> AER, Preliminary Decision - Jemena distribution determination 2016 to 2020 Attachment 7 – Operating Expenditure October 2015 page 7-72

<sup>4</sup> AER, Preliminary Decision - Jemena distribution determination 2016 to 2020 Attachment 7 – Operating Expenditure October 2015 page 7-73

decision. Please let me know if a response cannot be provided by Monday 30<sup>th</sup> November 2015. If you would like to discuss these issues further please feel free to contact myself on (03) 9173 7905 or at ([robert.mcmillan@jemena.com.au](mailto:robert.mcmillan@jemena.com.au) or Matthew Serpell on (03) 9173 8231 or at [matthew.serpell@jemena.com.au](mailto:matthew.serpell@jemena.com.au)).

Yours sincerely,



**Robert McMillan**  
General Manager Regulation  
Jemena Limited

## Attachment 1

JEN identified the additional costs associated with activities required to achieve compliance with the 2015 Regulations of \$15.89M across the 2016-2020 regulatory period.

The regulation and forecast incremental cost by sub-category are presented below:

### 1. Adoption of amenity tree management standard AS 4373

- Use no less than a Certificate 3 qualified arborist for inspection (\$0.06m per year)
- Use no less than a Certificate 2 qualified arborist for cutting (\$0.09m per year)
- Non-use of tree climbing spurs / spikes (\$0.18m per year)
- Use of mechanical cutters such as jarrafs (\$0.13m per year)

### 2. Enhanced notification and consultation provisions

- A notice must be given to owners of contiguous land to which a tree is to be cut or removed. The notice must contain details and a diagram in accordance with clause 15(5) (\$1.32m per year)
- Contact details of the person actually carrying out the intended cutting or removal must be provided on the notice (\$0.15m per year)
- Details of the impact that the intended cutting or removal may have on the affected person's use of their land during the cutting or removal and a diagram that shows the tree and where the electric line is in relation to the tree and where the tree will be cut (\$0.66m per year)
- A written notice published under sub clause (2) must be published in a newspaper circulating generally in the locality of the land in which the tree is to be cut or removed (\$0.27m)

### 3. Assistance provided to Councils

- Provision of advice to the Council on:
  - Safe limits of approach to electric lines for cutting or removing the tree; and
  - Safe methods for cutting or removing the tree
  - Assist Councils by determining the additional distances required for sag and sway(\$0.31m per year)

### 4. Removal of Roads Corporation as a Responsible Person

- Ongoing vegetation management to achieve compliance (\$0.09m in CY16)