POWER DESIGN
& ENERGY PROJECTS PTY LTD

# *AUSTRALIAN ENERGY REGULATOR*

# *2019-2024*

# *REGULATORY PERIOD*

# *SUBMISSION -*

# *ANCILLIARY NETWORK SERVICES*

REVISION A

Tuesday, February 5, 2019

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PREPARED FOR

AUSTRALIAN ENERGY REGULATOR

RESPOND TO
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THIS SUBMISSION IS MADE TO THE AUSTRALIAN ENERGY REGULATOR (AER) IN LINE WITH THE INVITATIONS FOR SUBMISSIONS

This submission is for the AER please Redact any content that is not for public display prior to making public.

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# 1. Executive Summary

We provide this summary in order to highlight the key issues we believe will result in negative outcomes for the consumers of NSW, the Accredited Service Providers of NSW and the cost of Development in NSW.

Ausgrid contractually "*is carrying out a desktop audit only and does not represent or warrant that the design complies with the requirements of this Contract including the design warranties".* This results in a Service that is charged at above market rates, but we are provided with a service that is substandard to the prevailing market conditions. This has been referred to the NSW Minister for Energy and the ASP Scheme. I am holding a meeting with the aforementioned to discuss introduction of an ASP4 scheme. The ASP4 scheme would reduce the fees that are regulated and place the majority of the design related services in the unregulated market, encouraging market forces to act and provide competition to the currently exorbitant charges being issued with no regard by Ausgrid.

I believe that the AER still has a role to plan in ensuring a service that is described in the approved AER documentation, is performed and charged accordingly.

In addition to all of the information provided within this submission, we request that the AER consider imposing timeliness standards on the Contract for Design Related Services (CDRS), as currently Ausgrid is unbound by the target timeframes within their policies and guidelines, which leads to the "all care no responsibility" attitude towards the provision of services.

Ausgrids management of workflows between the five Contestable Service Areas requires significant improvement in order to improve turnaround times and quality of design reviews.

If Ausgrid is not able to perform the services efficiently and effectively as a private market operator could, then the Design Related Services must be added to the Accredited Service Scheme as a Category 4 provider, reducing the ANS portion of services provided by Ausgrid to simply design information services.

## ANS Fee Descriptions

i. The fee Descriptors as proposed provide inconsistency and confusion. There is no direct correlation between the stages of the Design Related Services to allow a project to continue with a single project classification type (EG Simple, Standard, Complex). Without this being resolved, it is unlikely the fees charged will be regulated efficiently. There has been no rectification of this discrepancy in the proposal. It would seem this is designed to deceive the industry.

ii. Ausgrid Confuses the description of Administration services by describing it as "Standard" in some areas and "General" in others. Clear concise descriptors should result in clear and concise charges. The descriptors within these categories are designed to provide a window of opportunity to over charge.

iii. Ausgrid have excluded all works not covered by a Model Standing Offer (MSO) from the Administrative Service. This would effectively exclude all works associated with Design Related Services, as Design Related Services are Covered by the Contract for Design Related Services, which is not a model standing offer. The result is that Ausgrid is able to charge all administrative hours at Engineering rates, as they are not associated with an MSO. This has still not been resolved. If the project is not a model standing offer project (for which not a single Design related service is) then there is no limit on what Ausgrid may charge.

## Application of Proposed ANS Fees

i. Ausgrid has proposed a "step change" in the way works of an Administrative Nature are

charged. They have increased the standard fixed rate by 50%, then proposed multiple other categories into which they can continue to charge for administrative services. This results in unregulated revenue, as there is no cap, or limitation to what they can charge this has not been resolved.

ii. Ausgrid is proposing to Charge a fixed fee for "Simple" design information. This is despite there being no "man hours" involved in the production of this. If a project is classified as "Simple" there is no "Design Information" issued. Their documentation shows there are an average of 490 projects each year that fall into this category, which if approved, would be charged $696.55 each, for no expenditure of "effort" on Ausgrids behalf. The results in an income of $341,309.50 per annum for nil man hours or material costs. This has not been resolved. Ausgrid have reduced the fixed fee to $584.81 which means now they can only receive $286,556.90 PA for absolutely no man hours being exerted, in a system that is supposed to be regulated to ensure a cost recovery, this is not cost recovery it is profit gouging. Whilst they have reduced the size of the profiteering, they have not removed it.The increase on a standard project could potentially result in an increase in Design Related Service Fees of $4943.54 per project, or 43%. This could result in additional income to Ausgrid of approx. $3,954,832 per annum for services that effectively have not changed. An increase in fees as described above does not reflect the lack of accountability provided for the professional service charges issued.

In addition to all of the information provided within this submission, we request that the AER consider imposing timeliness standards on the Contract for Design Related Services (CDRS), as currently Ausgrid is unbound by the target timeframes within their policies and guidelines, which leads to the "all care no responsibility" attitude towards the provision of services. We believe the contract for design related services should be registered as a model standing offer for ancillary services. This would in turn regulate the terms and provide an ability to regulate the implementation and interpretation of clauses. We have previously demonstrated that even when Ausgrid describes fees as non mandatory and only required for complex projects, they have routinely charged them on every single project over the 2014-2019 regulatory period, increasing their revenue by approx. $474,173 PA throughout the regulatory period. (980 projects per year).

Unsubstantiated fees could result in $760,729 of additional income under a cost recovery model, for which no cost has been incurred.

# 2. Background of Author

Having worked in the Ausgrid Distribution Network Providers area of franchise since January 2006 I have over 12 years of experience working both within the Ausgrid organisation and externally as an Accredited Service Provider Level 3 Designer (ASP3).

My experience in the Contestable services sector commenced with being appointed as an Ausgrid Contestable Project Co-Ordinator (CPC) in November 2009, a position I held until August 2014.

At this time, I was promoted to Major Customer Connections Project Co-Ordinator (CPC) working on Sub transmission relocations and connections until June 2016.

In June 2016 I proactively sought and negotiated a voluntary redundancy from Ausgrid, as my position was secure and not affected by the restructure, I established my own ASP3 design company Power Design & Energy Projects Pty Ltd.

Power Design and Energy Projects is Accredited with the Department of Planning and Environment to provide overhead and underground design services in line with category 3A and 3B.

My Company has completed more than 62 projects since July 2016 across the three distribution networks, predominantly in the Ausgrid area.

# 3. Encourage a Market Price for Contestable Services in line with the Infrastructure Australia Plan (Infrastructure Australia, 2018)

Infrastructure Australia produced a number of reports contained within the following link

Australian Infrastructure Plan all of which outline the importance of the efficient and well-planned implementation of infrastructure investment. Of significance to the Electrical Infrastructure industry is the recognition that although the industry has significant frameworks developed, *'these markets need to be continually refined over time'*.

An area that is currently delaying projects and increasing the uncertainty within this sector is the Design Related Services area, which is currently only performed by the Distribution Network Service Providers (DNSP) within NSW.

My experience from within the DNSP, Ausgrid, shows that the Contestable market has significantly matured since the major revamp in 2009 (A time when only 86 ASP3's were registered). Whilst during this review period there were several changes made, one change that was not implemented, due to the lack of diversity and experience in the industry, was the Private Certification of the ASP3 design services. The review undertaken by the Better Regulation Office – Department of Water and Energy Office of Fair Trading, was completed in June 2009 (The Manager Energy Networks Performance

Policy, 2007), and aimed *'to maximise competitive outcomes for the benefit of NSW electricity consumers while removing any unnecessary regulatory burden for the electricity distribution industry'*.

One of the important issues raised in this review was *'concerns that DNSPs are imposing additional or indirect costs on these services….These indirect costs include those associated with delays in providing these services.'*

Currently there are over 220 ASP3 companies registered with the NSW Department of Environment and Planning, showing a substantial increase in the experience and qualification base surrounding the ASP3 industry whom hold (in addition to the CPC's desktop experience) the commercial awareness and experience to ensure that these projects are delivered effectively and efficiently. There has also been additional requirements placed on new applicants trying to seek accreditation to complete design works, which have ensured the quality of designs has improved over the years.

ASP3's are astute with the commercial reality of design fees and have been kept "in check" over the 9 year period since the review, however the DNSP fees have skyrocketed, and the turnaround times from the DNSPs has blown out project timeframes considerably. This has indirectly increased the overall cost of development due to the lack of planning clarity surrounding Electrical Infrastructure.

> *In the 2009 review it was noted that 'It may not be necessary for the DNSP to undertake design certification and inspection work to protect the safety of the network and ensure the integrity of its assets. There is an argument that appropriately qualified inspectors should be able to complete this work, just as ASPs may do for contestable work.'*
>
> *'Additionally, there may be a conflict of interest when DNSPs (who are also ASPs) certify or inspect contestable works. This could lead to a perception that a DNSP could apply a more onerous standard to competitors than required, or a situation where a DNSP applied a more onerous standard than required for its own risk management purposes'.*
>
> *'Continuing to require this work to be completed by the DNSP may also be at odds with the Governments aim to encourage competition for work previously undertaken by regulated monopoly providers'.*

With regards to the information provided above, I propose that the DNSP's Design Related Services undergo a significant review of responsibilities and policies. The market has matured to the point where the experience of the designer now often out ways the experience of the certifier, leading the DNSPs to insert **"all care no responsibility**" clauses into their certification procedures. Often projects are burdened by idealistic approaches, that are unattainable pre-construction commencement.

The DNSP's are now actively seeking to participate in unregulated revenues streams such as ASP1 construction and ASP3 Design which increases the risk to contravention of ring fencing guidelines. By privatizing the Certification of design and Inspection of constructed works there may be a substantial reduction in the risk to breach of Ring Fencing.

The definition in business/commercial terms for Certification states:

*'Formal Procedure by which an accredited or authorised person or agency assess and verifies (and attests in writing by issuing a certificate) the*

*attributes, characteristics. Quality, qualification or status of individuals or organisations, goods or services, procedures or processes, or events or situations, in accordance with the established requirements or standards'. (Business Dictionary, 2018)*

The commercial performance of the Design Related Services provided by Ausgrid is not reflective of the "Effort" or "Man Hours" involved. Currently Ausgrid utilises up to 10 business days on every design submission, regardless of the quantum of design works to be Certified. On secondary submission (such as rechecking due to non conformance identified) this turn around time also requires up to 10 business days, even though a full design check is not required.

The above combined with the deficient "Desktop Audit" results in multiple design submissions and can lead to a Design Certification Period (Initial submission to Design Certified) being 40 to 50 days for a process that should be no longer than 14 days. There is no consequence or penalty for these actions, or process decisions made by Ausgrid internally.

We have progressed this with the Minister for Energy in NSW and the ASP implementation scheme managers, with forthcoming meetings in February to pursue a more robust inspection and Certification schemes providing additional market forces for the certification and inspection of ASP design and construction services.

# 4. 2019-24 Attachment 8.05 Ausgrids Ancillary Network Services April 2018 - Public

***Table 15. Proposed non-metering related fees ($, real FY19)***

| Services | Type | Units | Price (excl. GST) |
|---|---|---|---|
| **Design related services** | | | |
| **Administration of contestable work** | | | |
| General | Fixed | per service | $902.55 |
| Additional | Quoted/Hourly rate | per hour | $99.84 |
| Pioneer scheme | Fixed | per service | $1306.75 |
| **Design information** | | | |
| Simple | Fixed | per service | $696.55 |
| Standard / Complex | Quoted/Hourly rate | per hour | $199.01 or $236.51 |
| Asset creation | Fixed | per asset | $26.96 (base) $9.98 (per asset) |
| **Design certification** | | | |
| General | Fixed | per service | $1924.46 |
| Other | Quoted/Hourly rate | per hour | $199.01 or $236.51 |
| **Connection application related services** | | | |
| **Technical assessment and preliminary enquiry** | | | |
| Technical assessment – Applications or relocations | Fixed | per service | $411.27 |
| Preliminary enquiry | Quoted/Hourly rate | per hour | $199.01 or $236.51 |
| **Connection offers** | | | |
| Basic | Fixed | per service | $16.97 |
| Standard | Fixed | per service | $49.92 |

*Figure 1 Ausgrid Attachment 8.05 ANS - Table 15*

Whilst Ausgrid has attempted to confuse the audience in separating out tables, and removing their detailed information utilised in providing a "bottom up" approach, I fail to see how it is possible to use this historical information in light of the reluctance to record service hours accurately within their service category. Providing a bucket number for staff to book to is not the same as recording individual project costs.

I have requested on a number of occasions since the last reg proposal in July, for Ausgrid to provide a detailed information set on the hours utilised on a number of projects. To date, Ausgrid has been unable to reconcile any project hours. Or provide any summary of hours charged to a project.

## Table 15 Proposed Non Metering Related Fees - Commentary

| Services Type | Units | Price (excl. GST) |
|---|---|---|
| **Design related services** | | |
| **Administration of contestable work** | | |
| | | **Changes From 2014-2019 Determination** |
| General | Fixed | **50% increase in the Fixed fee associated, with a substantial reduction in the items included in the category. CRITICAL This category no longer includes *"• Work of an administrative nature described in other services including design information, design certification, Notice of Arrangement, or Authorisation of ASPs. • Administration associated with projects not covered by a model standing offer". All Projects that are completed under the design related services are not covered by a MSO.*** Still not rectified |
| Additional | Quoted/Hourly rate | **CRITICAL Provision to charge additional hours for services previously included in the 6 hour fixed fee (2014-19). Allows Ausgrid to charge time interval rates for all correspondence, emails, letters, filing, receiving and sending of documents, effectively like a solicitor.** Still not rectified |
| Pioneer scheme | Fixed | **New Charge for services currently provided within Administration services** |
| **Design information** | | |
| Simple | Fixed | **Ausgrid has provided evidence of an average of 3.5hours to undertake a service that is automated, and requires no man hours at all to complete. They are proposing to charge a customer $696.55 so they can obtain a General - design information document available from their website.** |
| Standard / Complex | Quoted/Hourly rate | **Grouping of standard and complex into a single tarrif structure. Overall the average hours for Time on Task hasn't reduced from the previous regulatory period, even though in 2016 The Design information was drastically reduced under a process improvment scheme adopted by Ausgrid as outlined in subsequent pages.** |
| Asset creation | Fixed | **This is an additional charge, which could increase the cost of some subdivision projects by up to $1700** |
| **Design certification** | | |
| General - how does this correlate with Simple/Standard?complex projects? Still not rectified | Fixed | **This relates largely to Simple projects (based on theService Description) from the Design Information Stage, however the inconsistency in naming convention between the design stages confuses the reader. Ausgrid have stated that they have utilised an historical record of General project types to ascertain the quantum to be charged in a fixed rate, yet by Ausgrids own admissions, there are no individual project hours recorded. They are suggesting that it requires 9.5 hours to review a single page design, with mostly template content (such as warnings).** |
| Other - how does this correlate with Simple/Standard?complex projects? Still not rectified | Quoted/Hourly rate | **This incorporates the majority of Standard and Complex Projects (based on theService Description), however as the terminology is inconsistent between design phases it is unclear to the reader how this will be applied.** |
| **Connection application related services** | | |
| **Technical assessment and preliminary enquiry** | | |
| Technical assessment – Applications or relocations | Fixed | **This is a new charge, payable on all projects according to the submission. If a technical assessment is completed at this stage, why is a Design Information service requiring so many hours?** Still not rectified |
| Preliminary enquiry | Quoted/Hourly rate | **Nil Change** |

| Costs averaged out based on Ausgrid Submission Docs 8.06.2 for "Standard" project type Example Only | | | | | |
|---|---|---|---|---|---|
| **Fee Description** | **2014/19** | **Hourly Rate** | **2019/24** | **Hourly Rate** | **Commentary** |
| **Technical Assessment** | $ - | | $ 411.27 | Fixed Fee | This should theoretically reduce the number of hours required for the Design Information, but unless regulated will just result in additional revenue |
| **Administration General** | $ 639.78 | $106.63 | $ 902.55 | $ 99.84 | Decrease in hourly rate but more hours charged |
| **Administration Additional** | $ - | | $ 199.68 | $ 99.84 | Additional Hours for work previously included above based on 2 additional hours per submission docs |
| **Asset Number Creation** | $ - | | $ 275.71 | Per Service | Additional Hours for work previously included in Administration General, based on 25 assets within project (small subdivision) |
| **Design Information - Standard** | $ 1,829.49 | $170.98 | $ 2,129.41 | $199.01 | 10% increase in hourly rate based on 10.7 hours |
| **Engineering Consultancy** | $ - | | $ 2,788.80 | $278.88 | This could be charged on most projects given the service description, as all projects require the provision of information that is not always included in the Design Info stage due to Ausgrids WebGIS system not being populated with the complete information Set Still not rectified |
| **Design Certification - Other** | $ 3,178.36 | $199.27 | $ 3,174.21 | $199.01 | Slight Decrease in hourly rate based on 15.95 hours being Ausgrids average estimated and charged hours produced from their adopted charging model Still not rectified |
| **Design Rechecking** | $ 476.75 | $199.27 | $ 476.13 | $199.01 | Slight Decrease in hourly rate, based on table information that rechecking attracts and additional approx 15% rechecking hours per project. Still not rectified |
| **Project Facilitation** | $ 483.84 | $241.92 | $ 1,194.00 | $199.01 | slight decrease in hourly rate, additional hours due to works excluded from administration general Still not rectified |
| **Total Fees** | **$6,608.22** | | **$11,551.76** | | |
| **Increase in Overall Fees** | | | **43%** | | |

Will a technical assessment be charged on every project? Is the "*per service*" considered as being per project? Or each time the person performs part of the service? How is it determined (an AER approved determination process) that a project is complex/standard or simple? Still not rectified

Further, without being provided the actual hours incurred on project by project basis for critique or consideration, it is difficult to ascertain if the proposed fees are fair and equitable, of if they are being charged as that is what they have been able to charge previously. Still not rectified

As previously noted there have been many improvements made in the Ausgrid process which should have removed administrative burden from the system, however, our clients have yet to see any reduction in fees. How is it possible to charge 3.5 hours for a "*Design Information*" that is already available on the Ausgrid Website, it is not a service that is being provided, but a charge for the sake of improving revenue. Still not rectified

The above table needs to be clarified so that there is consistency in project types throughout the process. Changing from Simple, Standard, Complex to General and Other is confusing, and provides no avenue for the AER to regulate. Still not rectified

# 5. Ausgrid Submission Document 8.06.2 – commentary

## Service Description – Aer Framework and Approach Paper July 2017

Activities includes:

• provision of design information, design rechecking services in relation to connection and relocation works provided contestably

• work of an administrative nature relating to work performed by Level 1 and Level 3 ASPs, including processing work

• the provision of engineering consulting (related to the shared distribution network).

There is no mention of design certification in the above service description.

## 2019-2024 Summary of Methodology

We have adopted a bottom-up approach to modelling our proposed fees.

In taking this approach we have utilised the labour rates which the AER approved as part of our 2014-15 regulatory determination and updated them for inflation and real price changes in the cost of labour. The assumed "time taken" to deliver each service has been based on analysis of historical data.

We have reduced the number of fees we will charge "design related services" from 41 to 8. To do this, we have rationalised our fee structure and removed complexity. This is by consolidating fees that are currently charged separately but which relate to the delivery of a single service.

With regard to Ausgrids assertion that the assumed "*time taken*" to deliver each service can be seen as accurate we provide the following information that is a result of our own concerns raised with Ausgrid directly throughout the current regulatory period.

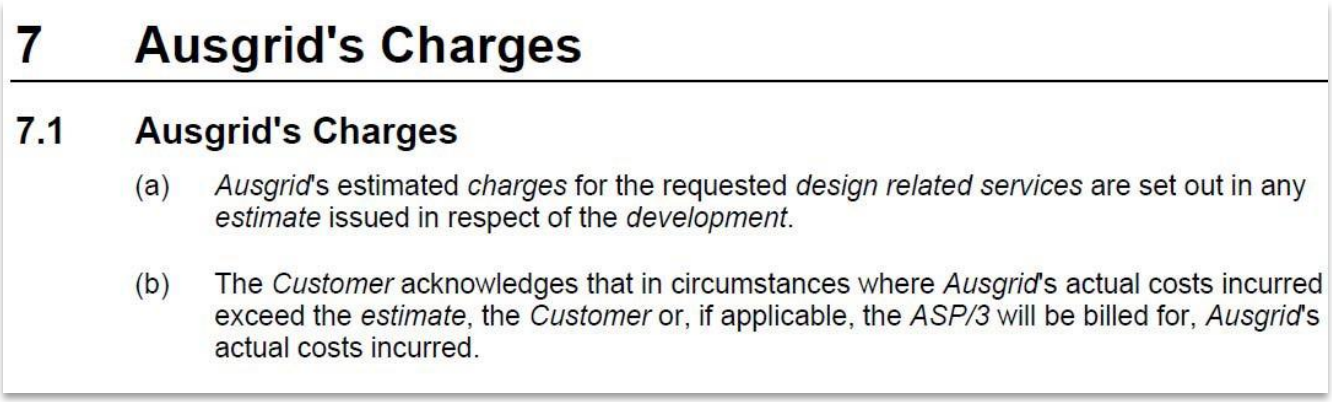
On several occasions I have requested a project reconciliation of actual hours (as per contractual terms within the Contract for Design Related Services (CDRS) (Ausgrid, 2017)) expended on each of my projects with Ausgrid. Ausgrid have not been able to reconcile or provide any record of hours expended and have only provided a testament to that effect (without any actual figures backing the statement).

In a meeting with an Ausgrid Senior Manager in May of 2017 I sought information as to why Ausgrid

would not provide a reconciliation of hours expended on the project, and the services those hours were attributed to. The response from the Ausgrid Senior Manager was (paraphrasing) *' Josh, you know we don't record hours on individual projects'.* If there is no record, how can there be historical data?

After requesting a written explanation as to the rechecking hours being charged and how they are calculated, I was provided with the official response below, also from an Ausgrid Senior Manager.
Still not rectified

> *'The rechecking fees are in no way a function of the number of non conformances. The SoC (ED Summary of Charges) aims to quote fees in a consistent manner for the services we provide across five teams and a very broad spectrum of project types and scope, it is based on the principle of average recovery for the service provided. It also does not allow for individual staff variations in speed, capability, qualification or grade. We have been criticised and had feedback from ASPs in the past for being inconsistent in charging actual rechecking fees and for this reason we adopted the model we use now'. (Contestability, 2017) .*



**7 Ausgrid's Charges**

**7.1 Ausgrid's Charges**

(a) *Ausgrid*'s estimated *charges* for the requested *design related services* are set out in any *estimate* issued in respect of the *development*.

(b) The *Customer* acknowledges that in circumstances where *Ausgrid*'s actual costs incurred exceed the *estimate*, the *Customer* or, if applicable, the *ASP/3* will be billed for, *Ausgrid*'s actual costs incurred.

*Figure 2 Ausgrids Contract for Design Related Services - Clause 7*

Average recovery for the service provided? This is the whole reason contestability was implemented, so it is a user pays system, not an averaging out for all. Average recovery is only allowed on Fixed price services. Perhaps staff performance management needs to be improved as a tool for managing the outcomes above, rather than a higher charge rate, or additional fees?

I am unable to conclude that Ausgrid is utilising a bottom up approach, when, by their own admittance, they are unable to determine the actual cost involved in performing the service, only the fees they have historically charged. Historically these fees were charged for a process that has been greatly refined over the last two years, but there is no reflection within these proposal.

With the above in mind I am unable to reconcile how Ausgrid proposes to complete service fee charges as per the AER summary within 8.06.2

> *The AER Issues Paper Clause 10.3 Ancillary Network Services*
>
> *Ancillary (or miscellaneous) network services are non-routine services provided to individual customers on an as requested basis:*

*• Charges for fee-based services are predetermined, based on the cost of providing the service and the average time taken to perform it. These services tend to be homogenous in nature and scope and can be costed in advance of supply with reasonable certainty.*

*• Charges for quoted services are determined at the time of a customer's enquiry, with most input costs predetermined by us, and reflect the individual requirements of the customer and service requested.*

The above indicated that a fixed fee service is that, fixed, as it enables the DNSP to charge "*the average time taken"* to perform the service. Ausgrid historically has charged the fixed fee service, and then added additional charges if they take longer to perform the service. Is this seen as a reasonable approach? Having the benefit of being able to charge the "averaged out" rate for the service, but then being able to "add on" additional fees to complete? Why use the average time taken approach at all, unless it is truly a fixed fee? It is described as a fixed fee. How is it possible to "average out" when there are no records of "actual effort" expended? Still not rectified

Ausgrids Current Process document is located here.

# 2019-2024 Administration of contestable works

Work of an administration nature by Ausgrid relating to work performed by Level 1 and Level 3 ASPs, including processing work

**General**

This is common for all model standing offer projects. This may include without limitation:

- Correspondence not associated with other services;
- Internal communication at various milestones of a project;
- Liaising with internal and external stakeholders;
- Document management (receiving or issuing and processing project related documentation including design drawings, general correspondence);
- Fee and financial management of project;
- Updating asset management and IT systems;
- Ausgrid Compliance project administration;
- Project close out.

**Excludes**

- Work of an administrative nature described in other services including design information, design certification, Notice of Arrangement, or Authorisation of ASPs.
- Administration associated with projects not covered by a model standing offer.

**Additional**

The additional administration associated with projects that may include without limitation:

- Customer initiated requested, not already conducted in (Administration Standard);
- Includes administration associated with projects not covered by a model standing offer.

The proposal, at the outset seems to describe Administration works associated with Design Related Services, however excludes '*all Administration associated by projects not covered by a model standing offer. services not included in a model standing offer'*, (which is contradictory). At the point of design related services, a model standing offer has not yet been established. The Design Related Services are provided under the Contract for Design Related Services, as the NECF application is at this stage, deemed incomplete, as such an offer cannot be provided for a Model Standing Offer. If this were approved, there would be no work classified as Administrative in relation to Design Related Services, rendering the scope as described irrelevant.

The submission document Ausgrid's ancillary services (Ausgrid, 2018), revises the currently established design related services within section *'4.3 Proposed non-metering related fees'* into new service descriptions, however there is no explanatory note to state what is included in each of them. This vague description will allow Ausgrid to skew the charges as they choose, as they have in previous regulatory submissions. This is a critical step change in Ausgrids ability to charge services. It gives Ausgrid the power to charge whatever hours it sees fit, without recourse, as it is hidden under the cloak of administration, something Ausgrid has historically performed inefficiently. Ausgrid have admitted their inefficient administration and it systems through their AER submission document Ausgrids Proposed Capital Expenditure (Ausgrid, 2018) by noting that there would be an *'Increased risk of resource intensive manual processing of documents within Ausgrid.'* if the capital expenditure on ITC projects is not approved.

If the proposed changes are approved the charge rate opens up to potentially include;

- Entering time sheets
- Email correspondence
- Phone calls
- Clarification of ambiguous emails
- Project handovers between certifying officers
- Training of staff on the job
- Prepping new staff to cover for Annual leave, maternity leave, long service leave etc…
- Consultation with management
- Staff reviews in regards to projects
- Interaction with internal stakeholders
- Going on a paid frolic for example, site visits, searching third party documents, searching online databases, reports etc, in order to find non-conformances and using this documentation to hold up projects. All of these examples have occurred within the current regulatory period. All to find that the online data was out dated and incorrect. (Examples of this can be provided on request)

Currently Administrative charges are charged at the highest allowable on every project (6 hours for 2014-2019 Determination). This allows Ausgrid to recover "at least the costs of a prudent operator". There should be no additional provision for inefficient process. Ausgrid has sought substantial financial approval to invest heavily in software to improve their administrative processes and back end systems. If the approval for the software/it systems is provided, then they should not be allowed to also increase the administrative costs surrounding connection's. Ausgrid has proposed to increase the fixed administration fee by 50% on every project yet has drastically reduced the services included in the fixed fee. Still not rectified

> *The AER approved updated versions of the following Ausgrid Model Standard Offers (MSOs) on 10 December 2015:*
>
> • *Model Standing Offer Basic Connection Services – up to 100 Amps Connections Low Voltage*
>
> • *Model Standing Offer Basic Connection Services – Connections over 100 Amps*
>
> • *Model Standing Offer Basic Connection Services – Micro Embedded Generation Connections*
>
> • *Model Standing Offer Standard Connection Services – Ausgrid augmentation (substation upgrade) works*
>
> • *Model Standing Offer Standard Connection Services – Ausgrid augmentation works including on-site substations (Ausgrid, 2015)*

None of the above, current MSO's apply to the Design Related Services as proposed in the AER submission. Still not rectified

I believe there is also inconsistency in the line below, should this not read (Administration General)?

*"Customer initiated requested, not already conducted in (Administration Standard);"*

I propose that the "Exclusions" be removed from the proposal as it removes the AER's ability to regulate how Ausgrid charge these fees. Still not rectified

I propose that the "other " classification of administration also be removed as Ausgrid have already sought a 50% increase in fixed fee administration services. This is a substantial increase considering the process improvements that have been introduced over the last regulatory period, and the transfer of responsibilities from Ausgrid to the ASP3. Ausgrid have also added in "connections covered by a Negotiated Connection Offer, which would mean no project would come under general during the design phase. This needs to be rectified, else Ausgrid is free to charge what they see fit.

During the last regulatory period Ausgrid was provided funding to automate their application system further reducing the Administrative effort involved, however they have applied in this period to increase the process of applications and introduce additional fees surrounding the application process to enable an initial "Technical Assessment". I have been unable to locate how they have revised either proposal, it seems they wish to be successful in increasing both?

# 2019-24 Design Information

***Simple, Standard or Complex***

*The project design category is confirmed after technical assessment of the connection application and defined in the* Design Information General Terms and Conditions *available on the Ausgrid website. Ausgrid provides necessary technical information to enable an Ausgrid Authorised ASP3 to prepare a design drawing and submit it for certification.*

Below is the release of the ASP3 Newsletter by Ausgrid effecting the process improvements.

*Design Information Process - effective for projects under new Contract for Design Related Services.*

*New connections and relocations will have their design information classified as simple, standard or complex. A different process will apply to each type of project classification.*

*Definitions of simple, standard and complex are found in the Design Information – General Terms and Conditions, available on the Ausgrid ASP/3 web page from 15 August 2016.*

- *For simple projects, no site specific design information will be issued. The ASP/3 will prepare a design based on the self-service design information and WebGIS information available online.*

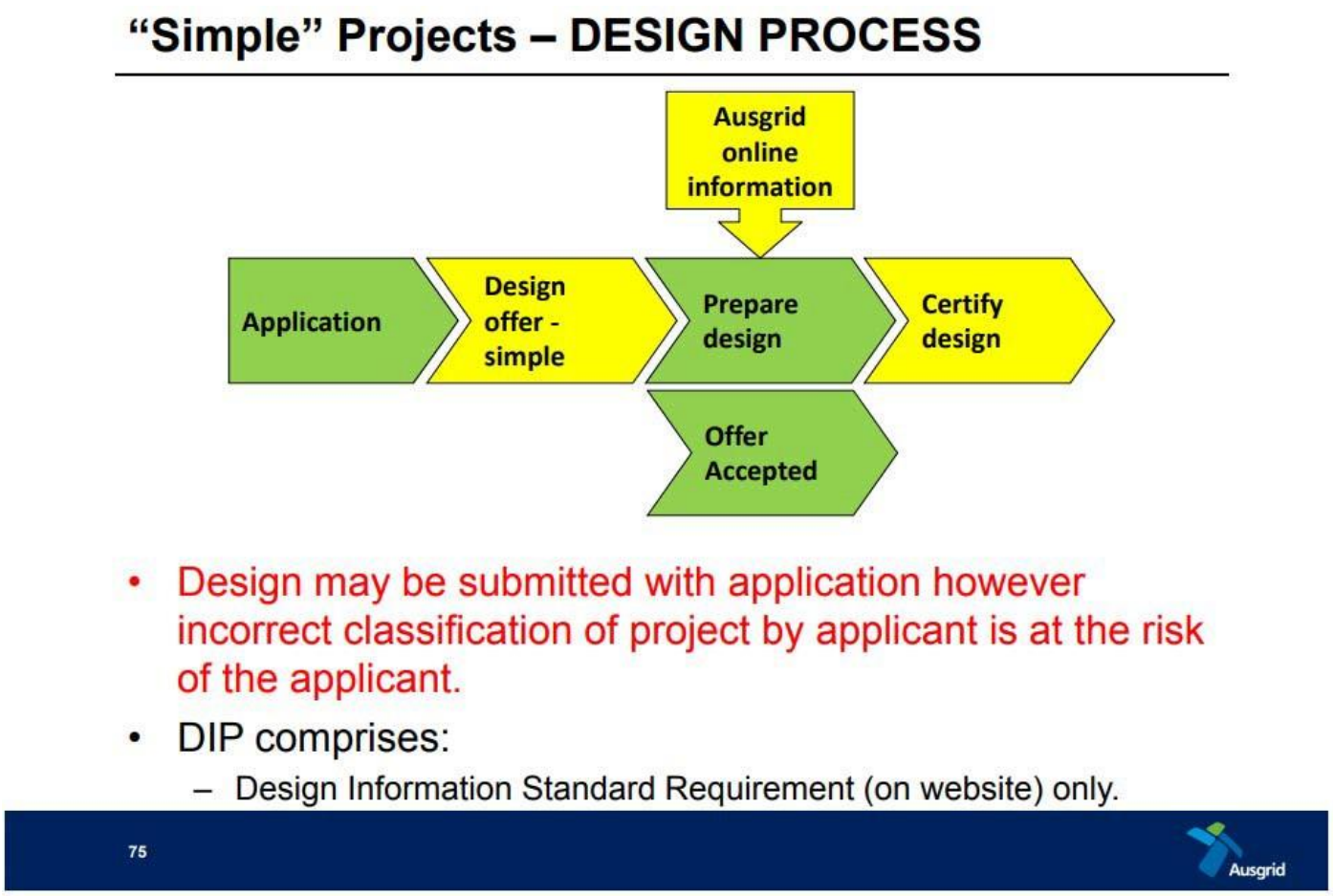
- *For standard projects, the ASP/3 prepares a Proposed Design Scope (PDS). Ausgrid prepares condensed site specific design information which is confirmation of the PDS with any required changes or clarifications. The PDS will be available on the Ausgrid ASP/3 web page from 15 August 2016.*

- *For complex projects, the process remains "as-is" and Ausgrid provides site specific design information in the normal manner. (Ausgrid, 2016)*

## Simple

The Proposal indicates a required 3.5 hours for a "*Simple*" Design information package. This seems extreme, as a project is determined as "*simple*" based on set criteria. If these criteria are met, there is no site-specific design information issued, only the general design information, as available on the Ausgrid website. The project is deemed simple at the application stage. We believe this figure should be more representative of the technical input hours for the service, being zero, as there are no man hours involved.

*Figure 3 "Simple Projects" Courtesy of Ausgrid Website*




Simple is established if the project involves any of the following 6 categories;

*"Simple" Projects*

*•Suburban or rural LV extension.*

*•Suburban 1 x LV pillar.*

*•Suburban or rural 2 spans LV re-conductoring.*

*•Streetlighting – infill, new or upgrade.*

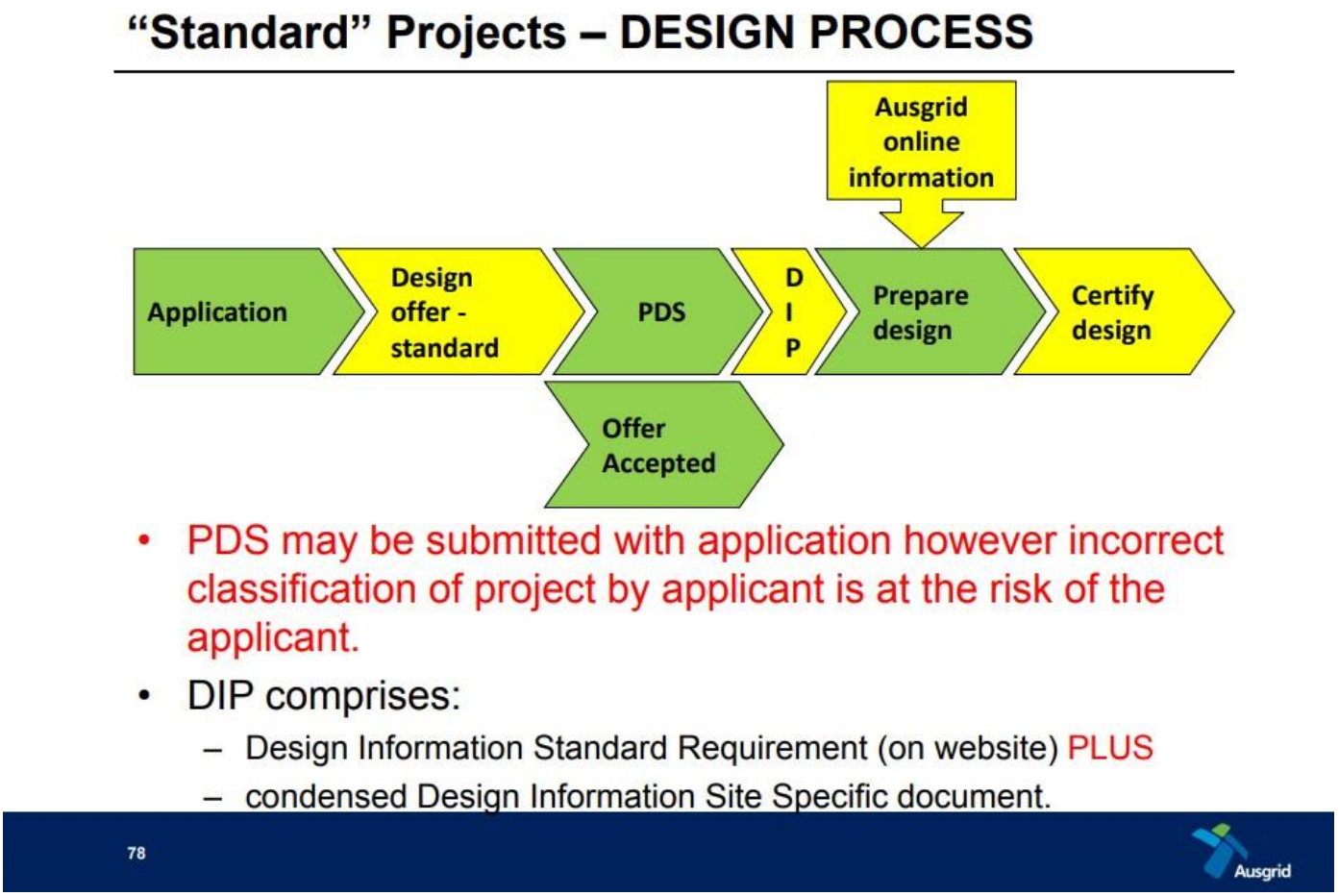
*•Subdivision stage in accordance with approved masterplan.*

*•Minor relocations (LV pole, LV pillar, LV cable, streetlight). (Ausgrid, 2016)*

## Standard/Complex

The proposal of an average 10.07 hours to be charged for design information seems excessive. The Design information package is in the majority of cases a 1 or 2 page document specifying the connection point (if different from the Project Design Scope(PDS)) (Ausgrid, 2018) and minimal cable sizes (if different from standard Design Information available on the web). Having worked in this department over a period of 5 years between 2009 and 2014, I am unable to conceive how this much time could be required, given Ausgrids investment in "streamlining" the process.

*Figure 4 Image "Standard Projects" courtesy of Ausgrid Website*




Standard is established if the project involves any of the following 7 categories

*"Standard" Projects*

*•Single kiosk or pole mounted substation – new or uprate.*

*•Direct distributor.*

*•Standard single transformer chamber substation.*

*•Suburban or rural high voltage customer (non chamber).*

*•Subdivision stage without master-plan.*

*• Intermediate relocations (single kiosk or PT substation, multiple poles or streetlights, multiple overhead spans, suburban undergrounding projects).*

*(Ausgrid, 2016)*

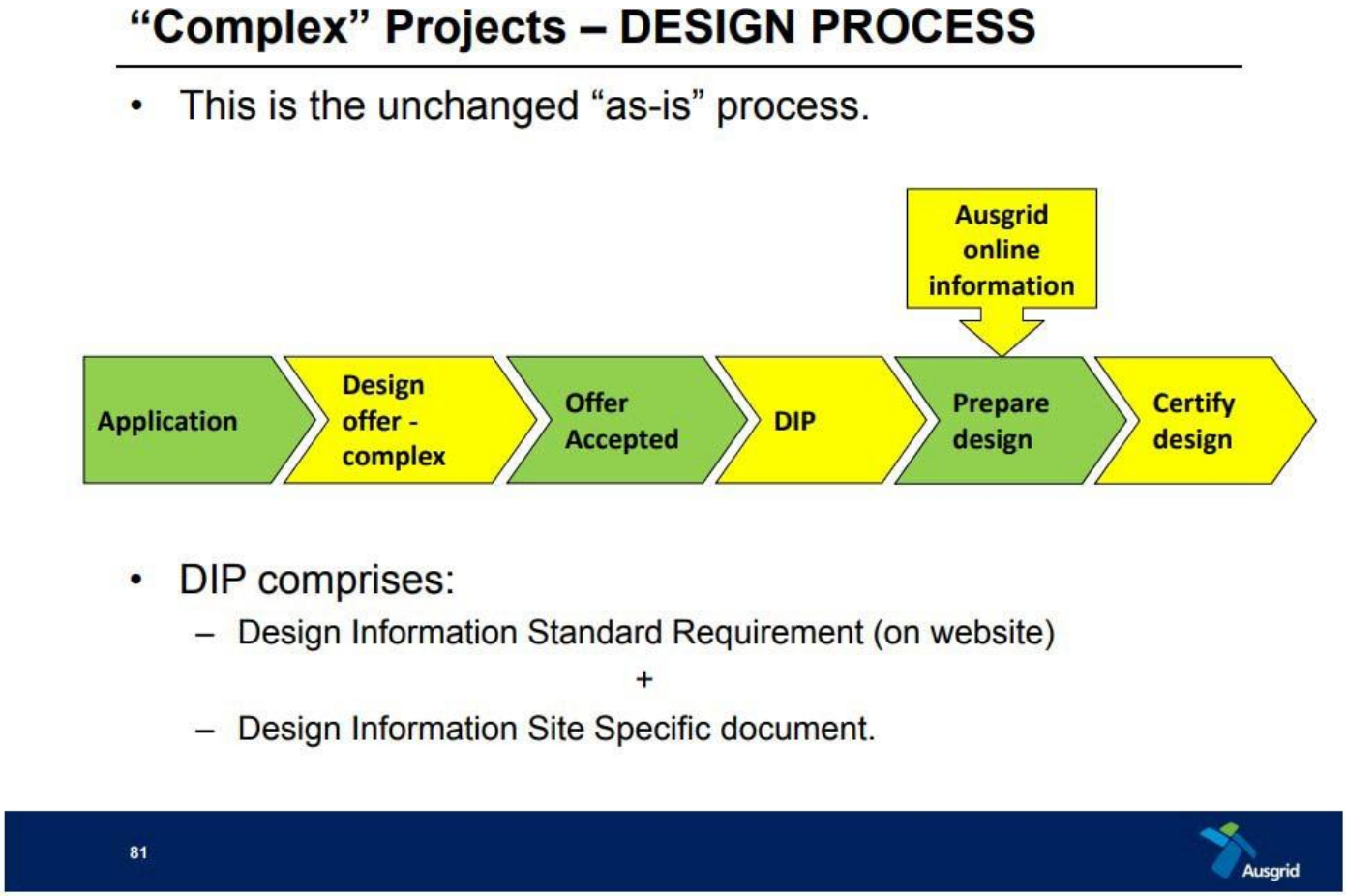



*Figure 5 Complex Projects Courtesy Ausgrid Website*

Complex is established if the project involves any of the following 6 categories

*"Complex" Projects*

*•Multiple kiosk substations (excluding subdivisions).*

*•Suburban chamber substations (multi transformer).*

*•Chamber type HVC's.*

*•Sydney CBD chamber substation or CBD underground works.*

*• Major relocation works (associated with major infrastructure projects or undergrounding of commercial districts). (Ausgrid, 2016)*

In 2016 Ausgrid (Ausgrid, 2016) introduced the above changes after the regulatory approval for 2014-2019, however, we have yet to see any substantial reduction in hours charged, and there has been additional responsibility placed on the ASP3 designer to produce the PDS. Still not rectified

I cannot see any reduction in overall hours being charged or proposed from the efficiencies gained in transferring this responsibility to the ASP3?

It looks as though Ausgrid have fixed this at the design information stage, but not at design certification stage, inconsistent fee structures create confusion, which then Ausgrid utilises to charge additional fees as we have seen with

the facilitation fee in the current regulatory period.

# 2019-24 Design Certification

*Ausgrid is required to certify the design to ensure it will not compromise the safety or operation of Ausgrid's distribution network. Ausgrid is not approving the design as the ASP3 is responsible for their design. Ausgrid makes no warranty, express or implied that the design is fit for the intended purpose or is suitable for the site conditions.*
*The* ***general*** *category covers changes to the distribution network that are of small and predictable nature. For example, minor pole relocation, Low Voltage extension, Direct Distributors, Low Voltage augmentation and minor Street Lighting projects.*
***Other*** *is a category that facilitates all other forms of distribution network changes, additions and relocations.*
*All design submissions are required to be of a quality that is certifiable.*
***NOTE****: additional design certification fees will apply when Ausgrid is required to recheck a design that is not certifiable within the fixed or quoted hours for certification or to re-certify a design. This may include without limitation:*
- *The certification period on an existing design lapses;*
- *Amendments to a previously certified design are received or are required.*

The fees charged on Submission Doc 8.06.2 on the 2014-2019 approved rates, may not necessarily be representative of the actual hours incurred on the specified service. Given the information provided above, I cannot be certain if Ausgrid is providing actual hours, or hours they have charged as the basis for seeking approval for the 2019-24 determination period.

I request that the AER seek a reconciliation of hours on a range of project numbers between SC09077 and SC09999 in order to seek a clarification of how hours have been recorded, charged and confirm if they are representative of the current and future approval methods.

We agree with the combining of the rechecking and design certification fees. These fees have always been one in the same by service detail, however have previously been used to derive additional income without reconciliation of project hours expended.

We seek for the AER to impose an hourly rate for all Design Certification fees that must also be quoted in hourly rates from the initial project acceptance. Any hours that are not utilised, to be reimbursed to the customer, and any additional hours required to be justified with a record of hours expended. These services are provided on a "cost recovery basis" and do not form part of "Unregulated revenue streams". If Ausgrid wishes for these services to be revenue positive, then this service should be opened up to a competitive market as per section "*Proposal - Level 4 Accredited Service Provider*" proposal within this submission.

We seek for the AER to complete a random audit of project hours and how these hours were utilised, as it is clear that Ausgrid currently record hours in a fashion that is at odds with the method as described in their "*Summary of Methodology*".

We seek that the AER inspect Ausgrids internal process for "booking hours" by interviewing staff currently completing the role of Contestable Project Co-ordinator to verify what tasks they would classify as *"Design Certification*", *"Design Information*" and "*Administration*".

In order for a proposed pricing methodology to work, the staff undertaking the work must be clear that just because they are employed in a technical position, the types of work they complete may be officially classified as Administrative, such as sending and receiving email correspondence, processing fees and milestones etc.

The "*General"* Classification seems to be reflective of a "*Simple*" design classification. This causes confusion in the proposal. Ausgrid states they have used historical data to determine that a *Simple* design requires 9.67 hours charged at a technical rate of R3 in order to approve a *"Simple"* design. I find this very difficult to understand. In the previous section on Design Information we established that their historical data represented a need for 3.5 hours of technical R3 classification employee "*effort* "to produce a Design Information Package that is readily available on Ausgrids Website.

Is this the same "*effort*"? A simple design is generally a 1-2 page design that has little impact on surrounding Ausgrid infrastructure.

We seek for the AER to simplify the terminology so that it is consistent throughout the different Design Related Services fee schedules, so that there can be no confusion, or interpretation of what is classified as "*Simple, Standard, Complex, Other or General*". **********

The only terminology that should be approved, along with a detailed description of project types should be the established Simple, Standard and Complex classifications. All fees need to have their descriptors adjusted to accommodate this upon the next revision.**********

> *NOTE: additional design certification fees will apply when Ausgrid is required to recheck a design that is not certifiable within the fixed or quoted hours for certification or to re-certify a design*

The above note indicates that Ausgrid will be recording individual hours on individual projects, and able to produce evidence of whom, how and when the hours of "effort" were expended on any project.

If the above note was accurate, then there should be a notation as to how many hours are included in the fixed design fee, so that any customer can determine from the above information if the project hours have been exhausted.

It looks as though Ausgrid have fixed this at the design information stage, but not at design certification stage, inconsistent fee structures create confusion, which then Ausgrid utilises to charge additional fees as we have seen with the facilitation fee in the current regulatory period.

# 2019-24 Administration of Pioneer Schemes

Where a Pioneer Scheme is established in relation to contestable connection works, Ausgrid will charge to establish the scheme and administer payments or contributions. This includes the assessment to determine if a scheme is applicable and advising the applicant accordingly. Information on Pioneers Schemes can be found in Ausgrid's Connection Policy.

We have no commentary on this service. The service has minimal impact on prevailing development or through put of works, is based on an approved formula requiring only input of data and registration.

# 7. Ausgrid Submission Document 8.06.11 – commentary

The provision of engineering consulting advice relating to Ausgrid's shared network.

This service may be provided in the form of a written report or other document(s). Typically it will involve the provision of highly technical advice and analysis relating to information or data which only Ausgrid has access to as a result of operating the distribution and sub-transmission infrastructure in our local network service area.

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The vagueness of the above could result in this fee potentially being charged on every ASP3 design project. Within most projects the ASP3 will be required to seek additional information from Ausgrid on the specification or detail of an asset that is being connected to or augmented, as this information is not readily available from the Ausgrid WebGIS system.

If utilised, the notation of advice would imply that Ausgrid is proposing to perform Full Engineering Services and is therefore liable for the information they provide, should there be any failures due to the information provided.

Historically Ausgrid has refused to complete Consultancy in this way and has provided disclaimers of "all care no responsibility' around any information provided.

The above document indicates that this will be a rarely used service, with only 5 services proposed per year, however the description leaves the door open for it to be charged far more regularly.

As this is a new service, how does Ausgrid propose to utilise an average "Time on Task'?

# 8. Ausgrids 2019-2024 Regulatory Submission – Tarro Zone Substation 33/11kV

Ausgrids current proposal for the AER regulatory approval seeks the following investment at Tarro Zone substation totaling $8,132,477 (Ausgrid, 2018) (PIP ID ARA_07.6.0014). Can this be justified on an asset that is over 50 years old? Would it be more sustainable to invest in modern technology and more reliable infrastructure that is located closer to the Load Centre for the district?

| Zone Substation | 2019/2020 | 2020/2021 | 2021/2022 |
|---|---|---|---|
| TARRO ZN Major Projects Renewal | $5,334,782 | $2,417,310 | $380,385 |

Redirecting this investment would reduce the cost recovery period for the new Zone Substation located within the Black Hill Industrial Precinct.

In addition to the above, by redirecting investment in a prudent manner to establish a centralised Zone substation operating at 132/11kV instead of 33/11kV the line losses incurred by the Ausgrid are reduced. This is a more sustainable model than the upgrade of existing 33/11kV substation, installing extensive distribution assets in order to support the loads required within the precinct.

We estimate that if a zone substation is not installed within the precinct there would be a requirement to install and additional 52kms of 11kV distribution lines, creating additional maintenance, risk and replacement costs throughout the operation life of the assets. These assets, whilst installed contestably, would serve no additional benefit to the wider community, as they would be highly utilised by the precinct and incur significant power losses over the distances throughout their operational life.

With Tarro being isolated from the overall increase in network load geographically by the New England Highway, distributing any increased capacity from an upgrade project would require the negotiation of easements and routes over lengthy distances, in order to supply a portion of the load required for these areas.

The article that was run in the Newcastle Herald on July 16 2018 discussed the importance of the land development in the area in order to provide economic and employment growth in the Hunter Region (Parris, 2018). He sites two industrial subdivisions, one with 200 plus industrial lots and the other with 300 plus hectares that will be subdivided into 36-40 large scale lots as a super distribution hub.

Between these two industrial subdivisions the likely load added to the Ausgrid network is in the vicinity of 36-42MVA, based on conservative load calculations.

With the $8M allocated in the Ausgrid proposal providing a small increase of 8MVA at a remote location, this is like an inefficient investment.

By redirecting the load requirements of Tarro could easily be supplied from the nearby Thornton Zone substation, with the Beresfield Industrial area being transferred to the new Black Hill Zone substation, this would release ample capacity for Tarro to be decommissioned in the coming years and avoid costly upgrades.

Ausgrid have justified that the Zone needs to be upgraded by 2024, however it would be possible to decommission this zone, within the same period by investing in the infrastructure required within the Black Hill area.

# 9. Proposal - Level 4 Accredited Service Provider

By increasing the scope of the NSW Accreditation Scheme to include another category of Accredited Service Providers, it would be possible to introduce market forces and pricings within the Certification of design and construction work within NSW. This would not only reduce the cost of Design and Construction, but more importantly improve the process and remove the delays for approval often plaguing projects in NSW, which historically have resulted in increased development costs.

Introducing independent Certification, that is actual Certification, not a desktop audit, would increase the quality and safety of design and construction throughout the industry. The DNSP's currently have no requirement to meet deadlines or service targets surrounding ASP3 design works, as these works do not form any part of the Standard Customer Contracts. They avoid NECF implications and have no record of breach for service levels.

If the DNSP's were forced to compete with the private market for quality, efficiency and price, their attitude towards the service may improve dramatically.

By opening the market to qualified private operators this would also relieve Ausgrid of having to manage such high (apparently complex) workloads with dwindling work force availability. It would enable a more specialised approach to certification, as naturally the Certifiers would operate within their fields of expertise, providing actual feedback on designs that improves design quality, instead of seemingly stifling project progression.

The ASP market has matured to include a multitude of disciplines with many companies operating in Electrical, Mechanical and Civil areas of engineering. By allowing a focused approach and encouraging BIM drafting, we will enable a utility infrastructure market that over time will be able to increase the design capabilities by improving records in three dimensional models that can eventually encompass all utilities.

This is future planning, currently Ausgrid will not allow BIM modelling, as it conflicts with its current layer and model conventions. Seemingly stifling progression due to inability to incorporate should not be an excuse. Widening the Certification market to private operators would encourage the DNSP to enter the future with a renewed approach.

Currently we experience massive discrepancies in processing time within the Ausgrid Contestability department.

Standard kiosk designs on the Central Coast can take up to 11 months to proceed from application to Design Certified, but the same project in the Newcastle region can be completed in less than four months. These project delays due to inconsistency in the design review process and experience of the Certifying officers, coupled with management experience and styles are untenable.

## Unsubstantiated Safety Concerns with Private Certification

The DNSP's have argued in the past that private certification would introduce safety risks to projects however having worked as a certifying project officer for the DNSP Ausgrid, I have the advantage of forming the following considerations.

Ausgrid in general, does not complete a full review of the design submitted for certification, at any stage. This creates a system where a significant design flaw, could potentially slip through the gaps and be constructed. I am aware of at least one project by an ASP3, whereby the certifying officer did not thoroughly check the pole force calculations, which resulted in two poles leaning towards each other, and creating unsafe low mains on the span between. This could have been a fatal incident had it not been rectified immediately on site. However, if the design had passed an **actual certification**, this would not have occurred. Ausgrid completely wiped its hands of responsibility on the matter (despite charging the average hours charged for certification and rechecking). Placing full blame on the ASP3 company and highlighted the clause in its design contracts stating that there design certification is an audit check only (which averages 15.95 hours), and that the ASP3 maintains full responsibility.

This situation has not been a common occurrence but highlights the fact that Ausgrid as a certifying body makes mistakes. These mistakes are more likely to occur if they are allowed to continually "audit" projects.

Contestability in NSW has been operating since 1995. In 2009 the scheme underwent a significant revamp in order to try and streamline the process and improve the turnaround times for development approvals.

These changes proposed significant improvement, of which the DNSP's attested would occur by updating their own process and procedures to better reflect the requirements of the scheme. The DNSPs highlighted that it was too risky for them to allow the ASP scheme to be expanded into Private Certification and inspection, yet the system has evolved to the point where a design Certification, by the dictionary term, no longer occurs. Full construction inspection no longer occurs. The DNSPs argue that the system cannot be allowed into the open market as this would result in a safety risk.

Yet there has not been any significant increase in the number of network infrastructure failures as a result of contestability being introduced. Considering this, if a design was completely ratified and certified by an Engineering Body appropriately accredited under the ASP scheme, it would no doubt increase the safety and reliability of the Ausgrid network, as there will be a responsibility chain that is currently not there. This would not absolve the ASP3 of design responsibility, but would allow the introduction of clear, concise certification, as certification is recognised in other industries.

This change to process would increase the timeliness of project deliverables. I am not advocating for Ausgrid to be removed from being able to perform Contestable Design Certification. This process could certainly continue, but in competition with an open market, which would encourage improvement in process, reduce turnaround times and improve the quality of the design checking mechanisms. By making it impossible for the Certifying Authority to maintain a position of zero responsibility much of the above would not occur.

## Inconsistency in Design Checking Regime

Due to the "Design Check Sheet" (Ausgrid, 2016) system Ausgrid uses to complete a design review, the interpretation of the fields is often misunderstood. This check sheet was originally developed internally to help stream line the design certification process. However, it has morphed into a document that is inaccurate, unclear and administratively time consuming. Much of the content is open to interpretation, without knowing the Network Standard intent behind the notation.

The Contestability Project Co-Ordinator's (CPC's) have different and varied backgrounds within the organisation, which means many of them look at the same Network standard text and interpret it differently. This creates angst among ASP3s as often we will change our designs to suit the request of one CPC, only to have the same design rejected by another. This costs ASP3s countless hours of redrafting and then resubmitting the designs, even though we have been given a directive by Ausgrid to show it that way previously.

This inconsistency in design certification is placing the safety of design at risk also. ASP3s are concentrating so hard on tailoring our submissions to the individual CPC for that individual project, that it has become apparent that there are two types of CPC's.

1. The CPC that is an efficient, communicative and proactive Certifier
2. One that utilises the design check sheet to find new errors on each submission, and describes each error found in a cryptic way so as to increase the likelihood that the error may not be found. They are closed communicators that are unable to be questioned, as they see their role as the Authority of everything contestable and respond to correspondence at the 11$^{th}$ hour.

Most Common Design Non-Conformances issued to my company between July 2016 and July 2018;

- Text Size less than 2.5mm (this has only ever been on an irrelevant portion of the design and is caused by Ausgrid issuing the GIS Cad information as non-annotative. If Ausgrid upgraded this system (a very simple fix) this would never occur on any design, yet they don't, because is generates income.

- Conflicting names for the Kiosk substation. This occurs as Ausgrid required the Kiosk name to be inserted in up to 5 different locations within the design. Essential Energy only requires this on one location. I can only assume that this practice continues in order to keep up the revenue for recertification fees. To exacerbate the problem, often the CPC will request the name to change as it wasn't provided in the Design Information, and they want to see it named differently.
- Please align the asset number differently (to their own preference). As long as it is clear it shouldn't matter.
- The Pole Embedment Depth Calculation (NS220 PEC (Ausgrid, 2011)) states you only require X depth, but you have indicated Y depth, please reflect the depth indicated in the PEC. As a designer, it is up to the ASP3 to ensure the pole strength is appropriate. One of the most important factors is the Embedment depth. We should be allowed to embed the pole deeper if our own experience sees this as a requirement. I have had occasion when the PEC stated a water table of 15m, when in fact the Geo info provided for the site showed it at 3.2m. Had I relied on the PEC, the pole would have fallen over, and Ausgrid would have claimed I was responsible, even though they force ASP3s to use their calculator. I was initially non-conformed (and charged rechecking fees) for this, prior to escalating the decision to a higher manager, whom later agreed my method was sound.

The table below provides a comparison of "Certification" within the engineering industry, to Ausgrids current system. The process to obtain structural Certification of a design is very different to Ausgrids certification.

This has been referred to the NSW Energy Minister and is currently under review.

| | Ausgrid | Structural Engineer |
|---|---|---|
| 1.Application | Apply to Ausgrid to connect load, issue quotation for Design Information and Certification | Not required |
| 2.Design Proposal | Submitted with acceptance of Design information and certification fees by the ASP3 | Designer would scope a design proposal, draft and complete internal review based on experience and knowledge |
| 3.Design Specification | Design Information issued by Ausgrid based on Design Proposal submitted by ASP3, often without change | Specification based on experience, knowledge and Australian standards and LGA requirements |
| 4.Quotation for Design Certification | Provide as part of the response to Application, when design scope is unknown | Designer would send the 95% design to a number of private certifying engineers (PCE) for quotation to provide certification. |
| 5.Acceptance of Quotation | Must be accepted at application stage, or project will not proceed. No ability to negotiate | Choice of quotation, and quality of PCE, ability to negotiate fee. |
| 6. Design Review Completed | Desktop Audit, may not include a full design review | A thorough design review completed of the specification and design intention in order to ensure the safety of the design. |
| 7.Items identified | After an audit, some items identified and issued in standard template format. Issues design recertification fees which must be accepted before any further progress | Any concerns with the design are raised with the designer, discussed and documented. |
| 8.Design revised and resubmitted | Designer interprets standard template, alters the design, resubmits. This could happen many times over (3-4 submissions is not uncommon) | Design reviews design, alters and information, or fills in any information gaps |
| 9.Design Certified | A certification number is placed on design, however correspondence indicates a thorough design review has not been completed, and that is was an audit, which may not have addressed all buildability or safety issues. | Designer issued a certification certificate. |
| 10.Design Responsibility | ASP3 retains 100% responsibility of design, regardless of the certification provided by Ausgrid. | Responsibility still remains with the designer, although if the certification was not completed with Due care and skill, the Certifying engineer could also be responsible. |

# 10. Building Information Modelling

Ausgrid also does not allow the design of real life locations of assets. This requires Building Information Modelling (BIM) (Autodesk, 2018) and provides a thorough virtual view of the other utilities in the area, the clearances and the clashes. As Ausgrid certifies the Paper space and not the model (due to congestion in the model space, which is due to the ridiculous number of representations of the same asset required). BIM would improve infrastructure record keeping, allow thorough and informed planning for the future, and help avoid other infrastructure clashes during construction.

We believe that all utilities should transition to the BIM system over this regulatory period in order to ensure that all future infrastructure modelling can be effectively completed prior to turning soil.

Blowouts on the Newcastle Light Rail, Gold Coast Light Rail, Sydney Light Rail and Melbourne Metro have all appointed some blame to unknown utility relocations required as part of the earthworks stage of projects. Imagine the Infrastructure savings that could be afforded if this information was effectively captured by all Utilities.

As the Australian Energy Regulator, we believe that the AER is in a great position to influence this change by imposing control measures on data capture, and model availability.

This would be a step change in design process, however if it were implemented as a transitional period over the coming regulatory period, and mandated from the 24/29 reg period, we would be creating a design platform that enables careful future planning.

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# A. Annexure - 2014/19 ANS Charges – Authors Experience of Process and Conduct

## Initial Assessment

Review existing Network Configuration, Assess LV network to see if it can be supplied from an existing Substation (assessment would normally take 10-15 minutes – Contestability internal process means that all applications for an area are processed between 2-3PM each day). If not, send out Letter (Administrative task) of offer indicating a kiosk/substation/ chamber/ HVC/ PT / etc may be required. This letter advises the connection applicant to engage an ASP3 whom must submit a Project Development Scope (PDS) for review (see attached example project SC13172).

If the Project falls within the Category of Simple, it proceeds to design stage, with no Design Information Required.

## B1 - Design Information

*Design Information*

*The provision of information by Ausgrid to enable an ASP (Level 3) to prepare a design drawing and to submit it for certification.*

*This may include without limitation:*

- *deriving the estimated loading on the system, technically known as the After Diversity Maximum Demand (ADMD). This estimate depends on suchfactors as the numberof customers served and specific featuresof the customer's demand;*
- *copying drawings that show existing LV and HV mains (geographically and schematically) and adjacent project drawings;*
- *specifying the preferred sizes for overhead conductors or underground cables;*
- *specifying switchgear configuration type, number of pillars, streetlights etc.*
- *determining the special requirements of Ausgrid's planning departments necessary to make electrical supply available to a development and cater for future projects;*
- *any necessary liaison with designers associated with assistance in sourcing design information and developing designs; or*

- *nominating network connection points.*

Upon submission of the PDS by the ASP3, the PDS is reviewed for suitability (this may take 20-30mins) and then sent to 11kV system planning to confirm the 11kV capacity is available (if a transformer being installed), or if only a Low Voltage extension approved immediately.

System planning have a database of feeders with current ratings and loading (provided by SCADA systems within the zone substations) which allow them to confirm availability, or prescribe upstream augmentation works required (35-45 mins technical work max).

Once approval has been provided by System planning the Design Information package is produced. This is a one page document, which often is provided as per the attached example, stating no change to PDS. (all other information is available in the Design Information general Terms and Conditions (Ausgrid, 2018))

A ”Simple” Project requires no PDS or Design Information.

# B2 - Design Certification

Design Certification includes the technical review of the design submitted against the Network Standards applicable to the design, and the design information package issued by Ausgrid.

**10.2 What does Ausgrid certify?**

(a) By *certifying* a *design*, *Ausgrid* consents, subject to clauses 2.3, 5.5, 5.6, 10.4 and 10.5, to the use of that *design* in the future for the construction of electricity assets that *Ausgrid* will own when they are electrified. This consent does not extend to commencing construction of those assets.

(b) The *Customer* acknowledges and agrees that in *certifying* a *design*, *Ausgrid*:

(1) is relying on the warranties provided in clause 9.7 and the *Deed Poll* to be executed by the *ASP3*; and

(2) is carrying out a desktop audit only and does not represent or warrant that the *design* complies with the requirements of this Contract including the design warranties in clause 9.7.

*Figure 6 Ausgrid Contract for Design Related Services Clause 10.2*

*Design Certification*

*A certification by Ausgrid that a design (if implemented) will not compromise the safety or operation of Ausgrid's distribution system.*

*This may include, without limitation:*

- *certifying that the design information / project definition have been incorporated in the design;*
- *certifying that easement requirements and earthing details are shown;*
- *considering design issues, including checking for over-design and mechanisms to permit work on HV systems without disruption to supply to customers (adequate LV parallels);*
- *certifying that funding details for components in the scope of works are correct;*
- *certifying that there are no obvious errors that depart from Ausgrid's design network standards and specifications;*
- *certifying that shared assets are not over-utilised to minimise developer's connection costs and that all appropriate assets have been included in the design;*
- *auditing design calculations such as voltage drop calculations, overhead conductor clearances (stringing) calculations etc.*

- *certifying that a bill of materials has been submitted; or*

*certifying that an environmental assessment has been submitted by the ASP and appropriately checked*

Depending on the number of pages and level of complexity in a design a technical review by an appropriately qualified, trained and experienced Contestable Project Co-Ordinator would take 2-3 hours to complete a full detailed design review, highlighting 99% of design non conformances. Unfortunately, due to Ausgrids process, there is another 3-4 hours of administrative tasks behind this work, including

- filing of design submissions,
- processing the Asset valuation spreadsheet,
- writing letters to the ASP3 and the Customer,
- updating Milestones in SAP,
- sending the design to the GIS group, the 11kV planning group and the inspectors group,
- completing the application form details and approving the ASP1 construction contract,
- issuing the design to the compliance group to inspect construction works,
- issuing any additional rechecking fees if the design has been submitted multiple times,
- processing the fees,
- completing the design certification check sheet .

A full review however is rarely completed. Which results in resubmissions with the non-conformances rectified also receiving additional non conformances not found in the original submission (due to the Audit).

# B3 - Design Re-Checking

*Design Rechecking*

*The rechecking of a design submitted for certification, except where the modifications to a design are of a trivial or minor nature.*

This fee is charged without consideration of **actual** (as per contract term CDRS Clause 7) hours expended on any project. Ausgrid in their own determination have considered this fee unrelated to the design certification fee. Letter from Ausgrid Legal, which is in contrast to their 2019/24 AER submission below, whereby in their own words conclude that they are in fact the same service.

NOTE: additional design certification fees will apply when Ausgrid is required to recheck a design that is not certifiable within the fixed or quoted hours for certification or to re-certify a design. This may include without limitation:
• The certification period on an existing design lapses;
• Amendments to a previously certified design are received or are required.

When reading the description of the service within the connection policy and the contract they are the same, you are rechecking the design in order to seek certification. This charge should only be applicable if the hours charged for the Design Certification can be confirmed to have been exhausted on the quoted Design Related Services.

Despite requesting on many occasion a reconciliation of actual hours expended on Design Related Services, for each of my individual projects, an Ausgrid Senior Manager provided me with the following verbal response '*Josh, you know we don't record hours on individual projects'*. This was again confirmed by that Ausgrid Senior Manager in the email correspondence below.

*'The rechecking fees are in no way a function of the number of non conformances. The SoC aims to quote fees in a consistent manner for the services we provide across five teams and a very broad spectrum of project types and scope, it is based on the principle of average recovery for the service provided. It also does not allow for individual staff variations in speed, capability, qualification or grade. We have been criticised and had feedback from ASPs in the past for being inconsistent in charging actual rechecking fees and for this reason we adopted the model we use now'. (Contestability, 2017) .*

Ausgrid's are functioning with the following model and process:-

1. Ausgrid are providing a quote, accompanied with a contract for agreement by the ASP3 and Customer.
2. The ASP3 and Customer accept and sign the Quoted Fee Estimate and Contract for Design Related Services (CDRS).
3. Ausgrid are performing an Audit only of the design submitted for Certification.
4. Ausgrid are providing additional estimate's after the contract is executed. Ausgrid are charging rechecking fee estimate's. Ausgrid make claim that rechecking is not design related services.

As you can see from the above Ausgrid are imposing estimates onto the customer after the contract has been signed. This places undue risk onto signatory. I ask the AER to question what the point of the contract is if it has no bounds? Ausgrid are providing estimates, upon estimates without a formal

variation to the contract signed by all parties of the contract. This needs to be regulated.

## B7 – Administration Charges

The following services have been included in the 6 hour price cap for administration services surrounding the ASP3 Design Related Services throughout the 2014-2019 Regulatory Period.

*Administration Services For ASPs*

*Work of an administration nature (not including work of an administrative nature described in service - Notice of Arrangement or Authorisation of ASPs), including the processing of Level 1 and/or Level 3 work where the customer is required to pay for the Level 1 and / or Level 3 work.*

*This may include without limitation:*

*•Checking supply availability;*

*•Processing applications;*

*•Correspondence from application to completion;*

*•Record – keeping;*

*• Requesting and receiving fees (initially, then prior to design and after certification);*

*•Receiving design drawings (registering and copying);*

*•Raising order for high voltage (HV) work;*

*•Calculating HV reimbursements;*

*•Calculating the cost of a project and warranty / maintenance bond;*

*•Organising refunds to developers for HV work;*

*•Liaising with developers via phone and facsimile;*

*•Updating Geographic Information Systems (GIS) and mapping;*

*• Supporting the process of design information, design certification and design rechecking.*

# B17 Connection/Relocation Process Facilitation

Currently Ausgrid charges this on every project despite the description;

> *'This service is additional to the published instructions available to all applicants and is not a mandatory requirement of the connection process for standard connections to the distribution network (≤ 11kV). It would be recommended for first time contestable customers or customers with complex or challenging projects. The intent would be to help minimise project delays caused by customers not taking the required action at the optimum time in the process. This would be achieved by staff taking a proactive approach to communication and engagement with connection applicants. It is an essential requirement for major connection projects (greater than 10MW load or connected at >11 kV) because the process varies to meet particular project requirements (the electrical component potentially being a smaller but often critical part of a much larger project). '*

As part of my concerns surrounding this charge I have raised the issue directly with Ausgrid only to have a response from their legal representatives state;

> *'Ausgrid has been performing facilitation tasks to satisfy these tests, and that fall within the B17 definition.*
>
> *Such tasks include liaison with the applicant and/or ASP3/ASP1 relating to moving the job forward, explanation of the process, reminders, customer/ASP follow ups, internal process follow ups (e.g. with High Voltage Planning, earthing, environmental services, clerk of works on the civil works side, power quality, protection, and other internal stakeholders such as the property group), Q&A and meetings on site and in office with customers and ASPs to clarify processes, standards, policies and requirements.*
>
> *The process facilitation performed by Ausgrid (within the B17 charge) is a facilitation service provided as a consequence of the connection application specifically made by the customer.'*

It is clear and evident from this response that a project isn't being charged by its needs but a blanket management directive and for some reason the CPC isn't involved.

I have requested this charge be removed from all my customers projects as it is not deemed mandatory. The response received in relation to this was

> *'Thank you for your email on 9 June 2017 at 2:07pm regarding your concerns about the application of Process Facilitation (B17) and Customer Interface Coordination (B14) Ancillary Network Service (ANS) fees. ANS fees are charged in accordance with Ausgrid's Connection Policy - Connection Charges and as approved by the Australian Energy Regulator (AER).*
>
> *The Process Facilitation fee is charged on all contestable projects for the facilitation of connection and/or relocation projects and the associated design and connection contracts and facilitating the process to help minimise project delays caused by customers and/or their agents not taking the required action at the optimum time in the process particularly during the construction phase.*
>
> *The Customer Interface Coordination (B14) fee is not routinely charged for contestable projects'.*

If this an actual requirement of all projects and is charged on all projects then why does it state it is not mandatory, and only required for complex or sub transmission projects? It is another example of Ausgrid exploiting terms to gain commercial advantage.

Ausgrid are not reviewing the fees appropriately, they are not assessing the criteria eg

- Is this a new Customer that requires additional help?
- Is this project greater than 11kV?
- Is this project a technically complex and requiring a greater level of project involvement from the Contestable Project Co-Ordinator (CPC)?

We seek for Ausgrid to comply with this approved fee determination per the 2014-2019 AER approval, and refund (as requested) this fee as charged on every project. Further we seek for this charge to be removed from scope, unless the above criteria are met. The blanket charging to improve Ausgrid revenue needs to stop.

I am the applicant in 95% of my projects, I have 7 years' experience in working within the Contestable team at Ausgrid. I was one of only a couple of mentors for new project offices entering the group and was often requested to Act as manager Contestability Hunter whilst performing my own role.

Once we have ruled out points one and two above, we are left with point three, and therefore the question is, are these projects to complex for Ausgrid? Being paid more per project per hour doesn't improve efficiency. It potentially provides Ausgrid opportunity to be as inefficient as they please.