



HBRA reclassification of Food Belt

**PAL BUS 9.03 - Food belt HBRA - Jan2020 - Public
Regulatory proposal 2021–2026**

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1 Overview

Business	Powercor
Title	HBRA reclassification of Food Belt
Project ID	PAL BUS 9.03 - Food belt HBRA - Jan2020 - Public
Category	Operating expenditure
Identified need	The Country Fire Authority (CFA) is expected to reclassify an area known as the 'Victorian food belt' from Low Bushfire Rated Areas (LBRA) to High Bushfire Rated Areas (HBRA) in 2021/22. This will result in more stringent regulatory obligations applying in the food belt area with regard to asset management and vegetation management.
Recommended option	Option 2—ensure compliance with HBRA regulatory obligations in the food belt area.
Proposed start date	2021/22
Supporting documents	<ol style="list-style-type: none">1. Powercor - OPEX MOD01 - Step change - Jan2020 - Public2. PAL ATT094 - Bushfire mitigation plan - Dec2019 - Public3. PAL ATT108 - ESV - End of season summary - Jun2019 - Public

The Country Fire Authority (**CFA**) is expected to reclassify an area known as the 'Victorian food belt' from low bushfire rated area (**LBRA**) to high bushfire rated area (**HBRA**) in preparation for the 2021/22 summer.¹ This will result in more stringent regulatory obligation applying in the food belt area with respect to asset management and vegetation management practices. The obligations applying to the food belt will be consistent with the asset management practices applying in other HBRA as outlined in our bushfire mitigation plan (**BMP**) approved by Energy Safe Victoria (**ESV**).²

We assessed two options to meet the identified need—do nothing or implement the necessary changes to ensure compliance with the HBRA regulatory obligations in the food belt area. The preferred option is to implement the necessary changes to comply with HBRA regulatory obligations. This will result in an increase in our operating expenditure not captured in our 2019 base year. The forecast incremental operating expenditure requirements in the 2021–2026 regulatory period, for the preferred option, are outlined in **Error! Not a valid bookmark self-reference.**

¹ The CFA may decide to reclassify the food belt area for the 2020/21 summer. In that case we may seek a cost pass-through during 2020.

² PAL ATT094 - Bushfire mitigation plan - Dec2019 - Public

Table 1 Expenditure forecasts for preferred option (\$ million, 2021)

Expenditure forecast	2021/22	2022/23	2023/24	2024/25	2025/26	Total
Incremental operating expenditure	20.8	0.7	0	0	0	21.5

Source: Powercor

2 Background

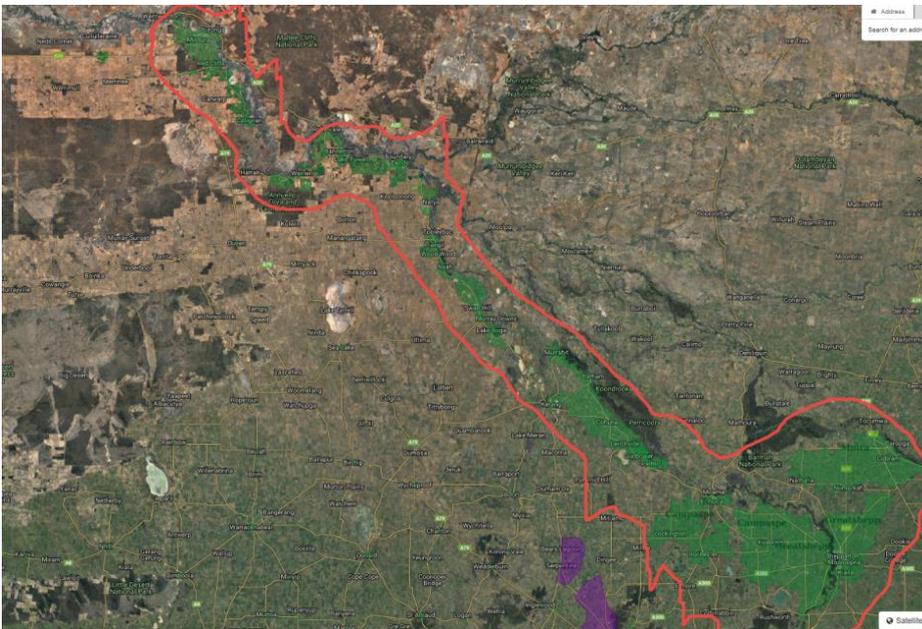
In accordance with section 80 of the *Electricity Safety Act 1998* (VIC) (**the Act**), the CFA classifies land as LBRA and HBRA according to the potential fire hazard of electric line-related ignitions.

The last review of land classifications occurred in 2014. Since this time, an area of land located north of Shepparton and north west through to Mildura (known as the Victorian food belt) has become much drier. ESV noted the following in the *End of Fire Season Summary*:

*'A number of fires are evident along the Murray River. While this area is currently classified as LBRA, reduced irrigation is causing much of this land to revert to conditions similar to adjacent HBRA.'*³

ESV has suggested that these drier conditions are explained by changing farm practises (e.g. converting orchards to pasture) and the increasing cost of water reducing irrigation activity. In figure 1, the red line outlines the food belt, with the green shaded areas reflecting the reclassified LBRA areas.

Figure 1 Existing LBRA areas within the food belt area



Source: Powercor, Bushfire Mitigation, 2017-2018 HBRA - LBRA Boundary Review (31 May, 2018)

The CFA maintains a data base of the LBRA and HBRA boundaries in relation to electric lines. The CFA began reviewing the existing LBRA and HBRA boundaries in the second half of 2019. Six out of 37 municipalities, all located in Powercor's network, are scheduled for completion in early 2020.

As per section 113A(1) of the Act, we maintain a BMP accepted by ESV. Our BMP sets out our bushfire mitigation program for asset inspection, maintenance, construction, upgrading, replacement, vegetation management, performance monitoring and auditing as well as our associated standards, policies and procedures for LBRA and HBRA areas. The BMP also incorporates the obligations imposed by section 98 of the Act, which requires us to design, construct, operate, maintain and decommission our supply network to minimise associated safety hazards and risks and bushfire dangers as far as practicable.

³ PAL ATT108: Energy Safe Victoria, End of Fire Season Summary: June 2018, p 13 <<https://esv.vic.gov.au/wp-content/uploads/2018/07/ESV-End-of-season-fire-report-2017-2018.pdf>>.

3 Identified need

The CFA is expected to review and reclassify the food belt area from LBRA to HBRA (excluding lines located in larger populated regional centres) in preparation for the 2021/22 summer.⁴ The reclassification forms a new 'regulatory obligation or requirement' within the meaning of section 2D of the *National Electricity Law*, by virtue of being a:

- 'distribution system safety duty' under s 2D(1)(a)(i), as the reclassification demonstrates the higher levels of risk and safety issues arising from bushfires
- an 'obligation or requirement' under s 2D(1)(b)(v), as it materially affects the manner and cost of providing electricity network services the subject of the distribution determination.⁵

The reclassification triggers the following consequences for our bushfire mitigation activities:

- An area's classification prescribes the clearance requirements for vegetation near overhead lines by distributors, including through the Act, the Electricity Safety (Electric Line Clearance) Regulations 2015 (including its associated schedules), the *BMP* and associated plans and policies.⁶
- An area's classification also prescribes the relevant inspection cycles and required works to the network, including prescribing specifications for LBRA and HBRA-compliant assets. These obligations arise through the Act, the Electricity Safety (Bushfire Mitigation) Regulations 2013, the *BMP* and associated plans and policies (i.e. Technical Standards).⁷

In accordance with HBRA obligations, we will incur additional inspection and maintenance costs above our existing 2019 operating expenditure by virtue of:

- increased clearance spans with respect to vegetation
- more frequent inspection of distribution poles
- additional works to distribution poles through fitting spreaders and upgrading surge arrestors.

⁴ In the event the CFA reclassify the food belt area from LBRA to HBRA for the 2020/21 summer, we may seek a cost past-through during 2020.

⁵ Sections 2D(1)(b)(iii)–(iv) may also apply.

⁶ See, e.g., s 84, s 98, s 113B of the Act, Schedules 1 and 2 of the Electricity Safety (Electric Line Clearance) Regulations 2015, the Electric Line Clearance Management Plan and the Network Asset Maintenance Policy for Inspection of Poles.

⁷ See, e.g., s 98, s 113B of the Act, r 7 of the Electricity Safety (Bushfire Mitigation) Regulations 2013 and our Technical Standards.

4 Options analysis

This section outlines two alternative options to address the identified need. A summary of the cost of each option is set out in table 2.

Table 2 Options summary (\$ million, 2021)

	Option	Operating expenditure
1	Do nothing	0
2	Implement changes to comply with new regulatory obligations	21.5

Source: Powercor.

4.1 Option 1—do nothing

Option 1—do nothing is not a viable option as it does not allow us to meet the requirements of the Act and associated regulations, nor our obligations under our BMP accepted by ESV. Failure to comply with the new obligations can also lead to financial penalties.⁸ This option would also fail to achieve the safety outcomes the CFA deemed necessary in reclassifying the food belt to HBRA.

Table 3 summarises the advantages and disadvantages of option 1.

Table 3 Option 1—do nothing

Advantages	Disadvantages
Lower costs	Does not meet our regulatory requirements
	Does not achieve the safety outcomes deemed necessary under the reclassification to HBRA

Source: Powercor

4.2 Option 2—implement changes to comply with HBRA obligations in food belt area

Option 2 requires us to implement changes to our operations to meet the HBRA obligations in the food belt area, as per the Act and our ESV-approved BMP. In accordance with our BMP, the HBRA obligations will include the following operational changes:

- one-off trimming of vegetation to meet HBRA clearance levels and removing overhanging branches from lines during 2021/22
- increasing the frequency of distribution pole inspections from every five years in LBRA to every 2.5 years in HBRA, resulting in doubling of pole inspections over the first two years of 2021–2026
- works to distribution poles to reinforce line hardware from LBRA standard to HBRA standards during 2021/22, including installing LV spreaders and upgrading surge arrestors in accordance with Australian Standards and our asset management policy.

⁸ E.g. under s 113B(2) of the Act, non-compliance with accepted bushfire mitigation plans will attract 300 penalty units for natural persons and 1500 penalty units for a body corporate.

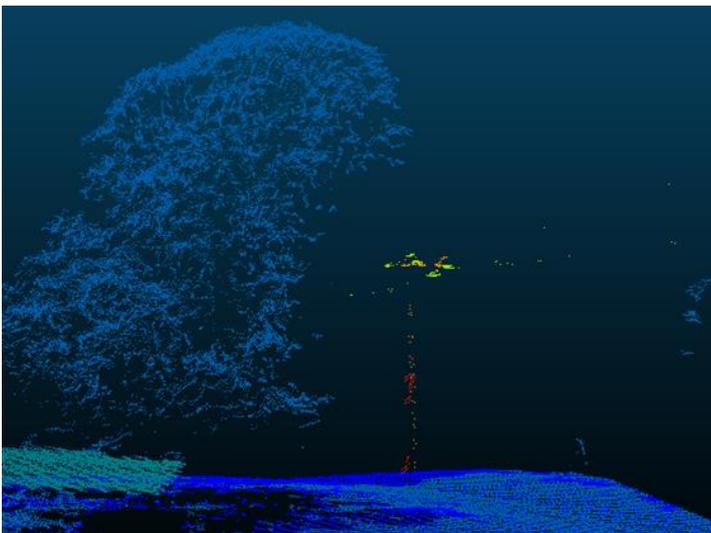
We have forecast the efficient cost to meet the HBRA requirements by identifying the minimum work practises and volumes of work required under the expected CFA reclassification of the food belt area for the 2021/22 summer.⁹

The forecast volume and cost of the vegetation management works are based on the following:

- unit rates for vegetation cutting are based on contracted rates with our provider Asplundh, who were engaged following a competitive tender process during the current regulatory period¹⁰
- the duration of works are determined based on similar recent projects carried out with Asplundh
- volume of required works to ensure HBRA-compliance have been determined using desktop analysis of LiDAR imaging to identify compliance.

Figure 2 gives an example of LiDAR image of vegetation overhang, with the yellow and red colouring highlighting our pole and pole top assets and with the blue vegetation overhanging.

Figure 2 Lidar image of overhang



Source: Powercor

The forecast volume and cost of the inspections of distribution poles are based on the following:

- unit rates for pole inspections based on contracted rates with our provider Elextrix , who were engaged following a competitive tender process during the current regulatory period ¹¹

⁹ Following the completion of the CFA review, we will update volumes of works accordingly.

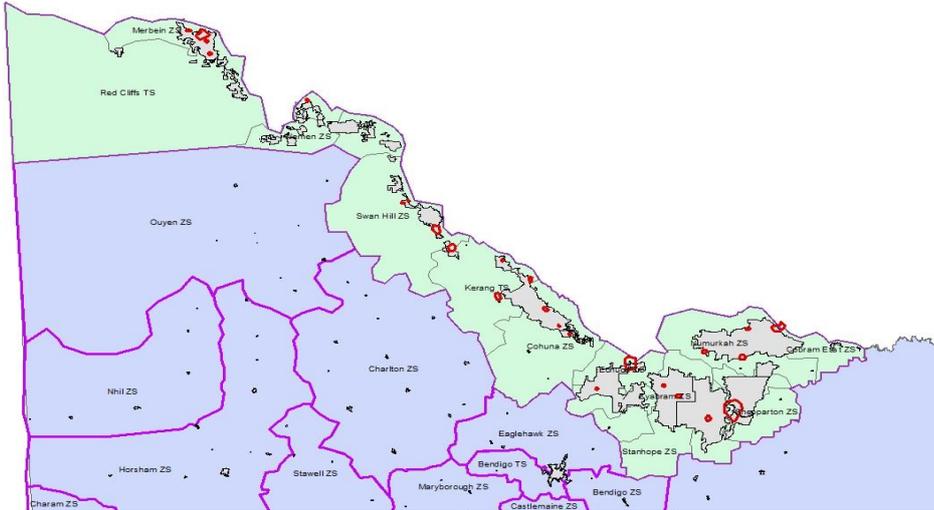
¹⁰ In 2016 we conducted an open tender. At the initial briefing, 32 companies were represented and we received 13 responses. We conducted a Best and Final Offer exercise with all four shortlisted tenders and had an overall reduction in original submitted pricing of approximately 26%. Four tenderers were shortlisted and Asplundh was selected as it provided us with the lowest risk, commercially viable and most cost effective outcome. We renegotiated the contract with Asplundh in 2019 to ensure continued competitive rates.

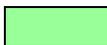
¹¹ In 2018 we conducted a tender process with six tenderers identified as having the capability and capacity to undertake the works required. Following an initial briefing, we received five responses. We negotiated on pricing with the four shortlisted tenders and had an overall reduction in original submitted pricing of approximately 3-5%. We conducted a Best and Final Offer exercise and following a cost-risk analysis awarded Elextrix the contract for Powercor, at an overall cost reduction compared to existing arrangements. Contract negotiations were finalised in early 2019.

- pole and span volumes determined through our Geographical Information System (GIS) (our principal record source for assets).

Figure 3 demonstrates the GIS analysis of spans.

Figure 3 GIS analysis of spans



	Green area	Zone substation area
	Grey area	existing LBRA boundaries, potentially change to HBRA
	Red circled area	existing larger town boundaries (hand drawn) most likely remain LBRA.

	Area 1	Area 2	Area 3	Area 4	Area 5	Area 6	Totals
Substation:	2610	912	1154	1227	5213	1902	13018
Fuse poles	2792	1071	1381	1306	5683	2121	14354
Fuse poles	182	159	227	79	470	219	1336
Cable head:	270	44	12	62	285	60	733
Gas switch:	36	8	15	7	72	19	157
ACR's	14	7	24	6	33	11	95
Regulators	4	2	1	4	16	7	34
Total poles	18906	5957	6045	6717	26896	8733	73254

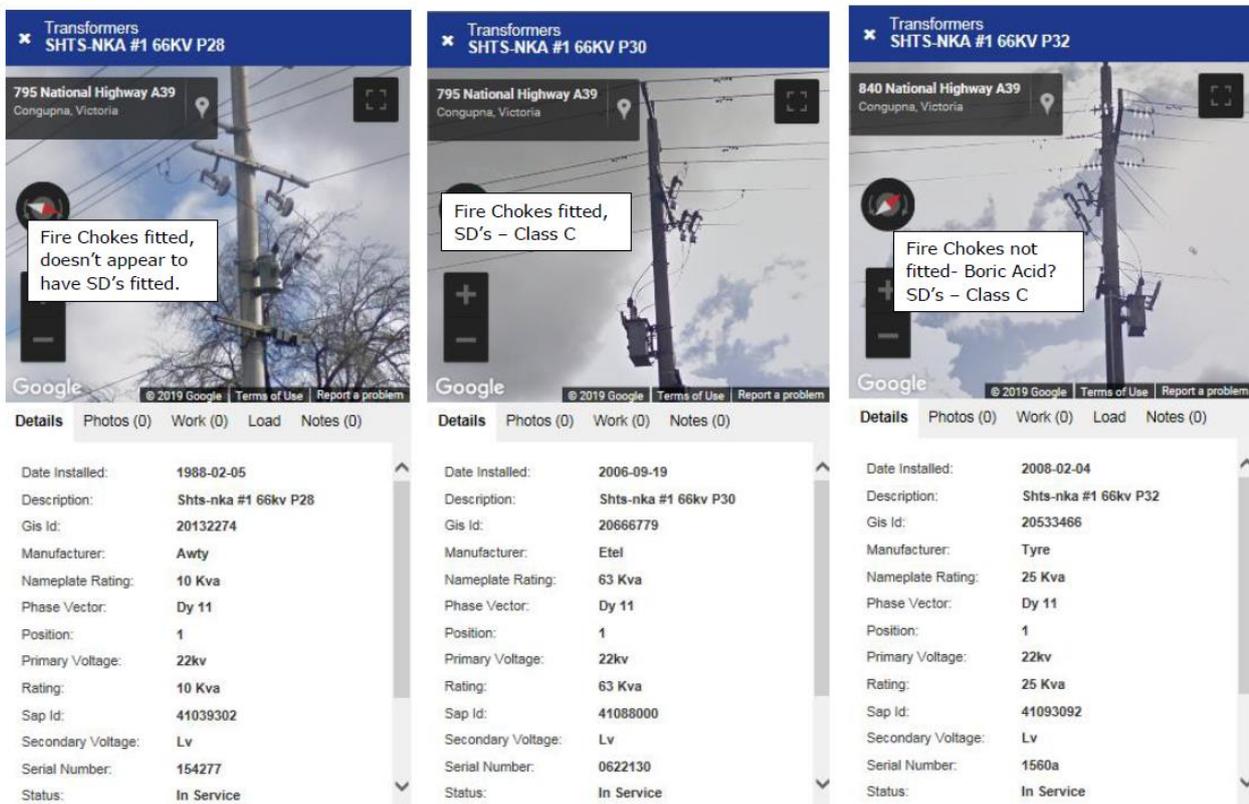
Source: Powercor

The forecast volume and cost of reinforcement works to distribution poles are based on the following:

- unit rates for installation of lightning arrestors and LV spreaders were taken from our contracted rates with our provider Electrix
- the scope of required work was determined by undertaking desktop analysis to sample 120 sites within the food belt area. This analysis found that 49% of surge arrestors and 56% of LV spreaders needed upgrading but that all fuse arrestors, while not required, were already HBRA-compliant.

Figure 4 shows an example of a pole asset audit used to assess the scope of works.

Figure 4 Example of pole asset audit—Shepparton



Source: Powercor

Table 4 summarise the advantage and disadvantages of option 2.

Table 4 Option 2—implement changes to comply with new regulatory obligations

Advantages	Disadvantages
Ensures we achieve the bushfire safety specifications of food belt as set out by the CFA	Costs to customers
Ensures we meet our obligations under HBRA as set out in our BMP accepted by ESV	

Source: Powercor

5 Recommendation

We recommend Option 2—implement changes to comply with the HBRA regulatory obligations in the food belt area. This option allows us to efficiently meet our regulatory obligations, as set out by the Act and our BMP. It also achieves the bushfire safety specifications of HBRA, as intended by the CFA. Conversely, option 1 is not viable as it does not allow us to meet our regulatory obligations or achieve the CFA's bushfire safety specifications.

Table 5 summarises the incremental operating expenditure of the preferred option.

Table 5 Recommended option 2: expenditure profile (\$ million, 2021)

Expenditure forecast	2021/22	2022/23	2023/24	2024/25	2025/26	Total
Incremental operating expenditure	20.8	0.7	0	0	0	21.5

Source: Powercor