ESV Ref: CM-2041

energysafe VICTORIA

Creating a safer state with electricity and gas

8 May 2015

Energy Hardship Review
Essential Services Commission
Level 37, 2 Lonsdale Street
Melbourne, VIC 3000

By email: energyhardshipreview@esc.vic.gov.au

Dear Commissioners

INQUIRY INTO THE FINANCIAL HARDSHIP ARRANGEMENTS OF ENERGY RETAILERS

Thank you for providing Energy Safe Victoria (ESV) with the opportunity to make a submission in response to the Essential Services Commission's paper entitled *'Inquiry into the financial hardship arrangements of energy retailers: Our approach'.*

The purpose of this submission is to bring to the Commission's attention an issue ESV considers relevant to the inquiry as it can lead to electricity customers who are in circumstances of genuine hardship to be disconnected from electricity supply in certain circumstances.

Background

Most premises in established urban areas are connected to electricity supply by way of an overhead service line. A service line is generally a single span of electrical cable that connects premises to the electricity distribution network (usually located in a street adjacent to the premises).

A service line is the property of the business that owns and operates the distribution network the service line is connected to and it is that distribution business that is responsible for the maintenance and replacement of its service lines.

In primarily rural areas, the construction of an overhead electric line on a person's land is often required to take the electricity supply from the distribution network to the premises on the land. These lines can consist of several spans of electrical cable and several supporting poles. These overhead electric lines on private land are referred to private overhead electric lines (POELs).

POELs are the property of the private land holder who is responsible for maintaining the POEL in a safe and serviceable condition (even though many private electric lines were originally constructed by the SEC).

This requirement was first introduced by the State Electricity Commission (Clearance of Lines) Act 1983 as part of a response to the Ash Wednesday bushfires. Inquiries into the cause of those fires found that some of the Ash Wednesday fires were caused by POELs.

The provisions of the State Electricity Commission (Clearance of Lines) Act 1983 have remained largely unchanged since enacted and now reside in the Electricity Safety Act 1998

(ES Act).[1] These provisions were supplemented in 1999 by the introduction of regulations that prevented the construction or substantial reconstruction of POELs in high bushfire risk areas (HBRA). Accordingly, POELs located in HBRA are now required to be placed underground when they require replacement.[2]

Defective poles or wiring trigger the requirement for a POEL owner to place their POEL underground in cases where more than 20per cent of the wiring or replacement of more than 20 per cent of the number of poles supporting the wiring is required and the POEL is located in a HBRA. This reflects a policy intention of the regulations introduced in the late 1990s that POELs in HBRA gradually be placed underground in order to reduce bushfire risk.

Issue

The costs involved with undergrounding a POEL can be substantial to the individual land holder; often several thousands of dollars. Understandably, some people experiencing genuine financial hardship are unable to afford this expense. As can be seen from the attached case studies, the individual cases of people unable to afford undergrounding of their POEL may also be elderly and in poor health (including terminal illness). They may also live in old and deteriorated homes in isolated areas.

Failure to comply with the requirement to underground their POEL puts them at risk of being disconnected from electrical supply on days of total fire ban and eventually permanent disconnection if the line poses an unacceptable risk of causing a fire. Disconnection from electrical supply puts the health and welfare of these vulnerable people at risk, especially during the warm weather conditions associated with days of total fire ban.

Energy Safe Victoria's role

Distribution businesses are required to inspect the POELs located in their distribution area at regular intervals. In cases where defects are identified, the distribution business will notify the occupier of the rectification work that is required. As mentioned above, if the defective POEL is located in a HBRA and replacement of more than 20 per cent of the wiring or replacement of more than 20per cent of the number of poles supporting the wiring is required, the regulations require that the line be placed underground.

If the POEL has not been repaired or placed underground (if required) after several notices are received from the distribution business, the distribution business will refer the matter to ESV for resolution. ESV receives approximately 300 to 350 of these referrals annually. Of these referrals, ESV receives between 5 and 10 referrals per year that ESV considers to be cases of genuine hardship of the type described in the attached case studies.

In response to a referral, ESV takes a coordinating role with the aim of assisting the POEL owner to rectify their POEL without being disconnected from electricity supply. ESV does have the ability to direct the distribution business to disconnect a POEL from electricity supply, but this is only ever used as a last resort when safety is an issue.

ESV adopts a consultative approach with the affected POEL owner and works cooperatively with the relevant distribution business and any electrical contractor engaged by the POEL owner to ensure that any rectification work or undergrounding is carried out in a manner that minimises inconvenience to the POEL owner and keeps any loss of electrical supply to a minimum.

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[1] Section 84A(1).
[2] Electricity Safety (Installations) Regulations 2009, regulation 220(1).

However, in cases of genuine hardship, ESV's ability to provide assistance is limited. In cases where a POEL is unsafe or poses an unacceptable bushfire risk, ESV has no option but to arrange for the disconnection of the line. In some limited cases, ESV may allow a POEL to be replaced instead of being placed underground, but this is not the preferred outcome as it defeats the policy of the regulations which is the progressive undergrounding of all POELs located in HBRA in the interest of public safety.

Supporting people experiencing hardship

ESV asks the Commission to review the attached case studies and consider whether there is any role for retailers (or distribution businesses) to assist people in genuine hardship to avoid disconnection due to a defective POEL or a POEL that is required to be placed underground.

ESV notes that energy retailers are required to implement a financial hardship policy that includes flexible options for replacing household electrical and gas equipment. Perhaps this requirement could be expanded to include options for replacing deteriorated POELs.

The Commission may also consider if there are any government grants or rebates available to assist people in genuine hardship with the costs of replacing or undergrounding their POEL. If so, retailers and distributors could assist customers by providing information and assisting customers to make applications.

The establishment of a fund, which could be administered by ESV or the ESC, would also provide assistance to vulnerable people in the community. Given the benefit that retailers and distributers obtain from customers remaining on supply, perhaps retailers and distributors could contribute to such a fund.

A facility for the provision of interest free loans could also be an option. Retailers or distributors may want to provide this service to their customers or arrange these loans for their customers through partnerships with charitable lenders.

Some distribution businesses used to provide free installation of an underground electricity supply pit on the boundary of a POEL property as an incentive and contribution to the undergrounding of POELs. The Commission could consider whether contributions such as this could be provided, given that some of the benefits of undergrounding accrue to the relevant distribution businesses.

Conclusion

The requirement to maintain POELs and to underground them in HBRA when they require replacement is primarily a bushfire mitigation measure. Property owners, mostly living in rural areas, have largely inherited this obligation to maintain their POEL which in most cases were constructed by the SEC to enable it to supply them with electricity.

This obligation can place a significant financial burden on a POEL owner and in cases of genuine hardship this burden cannot be met in some instances. From ESV experience there appears to be a lack of government grants or rebates to assist people who are unable to cover the costs of POEL replacement or undergrounding and the costs involved make it difficult for charities or generous donors to assist in most cases.

ESV asks the Commission to consider this issue and identify or recommend any measures or opportunities that will provide some assistance to these vulnerable members of our

community. This will assist ESV in ensuring that people in genuine need are not disconnected from electricity supply due to a defective POEL.

If you require any further information or assistance in considering this issue, please contact Dr Roanne Allan, Executive Manager, Policy and Strategy on 9203 9713 or by email rallan@esv.vic.gov.au

Yours faithfully

Paul Fearon
DIRECTOR OF ENERGY SAFETY

CASE STUDY 1

[private address]

On 9 May 2014 a compliance officer from Energy Safe Victoria (ESV), attended [private address] as the result of a defective private overhead electric line (POEL) referred to Energy Safe Victoria (ESV) to action by [a distribution company].

The compliance officer called the owner to make an appointment to visit the property. The compliance officer met the owner and they inspected the POEL together. The compliance officer noted that a [a distribution company] timber transformer pole located on the property connected to a [a distribution company] single wire earth return (SWER) line formed part of the network.

A fuse located at the pole protected the neutral screened insulated overhead conductor installed between the pole and an old shed, which housed the main switchboard and the metering equipment. The insulation covering the conductor had become cracked and had started to peel off the conductor rendering the conductor unserviceable and subsequently defective.

Another overhead conductor had been installed from the shed to supply electricity to the house.

The compliance officer explained to the owner that her property is located in a hazardous bushfire risk area (HBRA) and that the defective overhead conductor must be replaced with an underground conductor. The owner stated that she did not have the money to cover the cost of the electrical work. The compliance officer explained the defective line would have to be disconnected and as a result she would lose electricity supply to her residence.

The owner is an older woman who lives alone in a weatherboard cottage, which is in a deteriorated condition that is in need of urgent repair. The compliance officer advised her she may be able to get financial assistance to cover the cost by approaching various organisations within her community.

The owner contacted me a few weeks later to confirm that she was unable to secure any financial assistance, and sought assistance from ESV to provide any further options.

The compliance officer discussed the owner's obvious personal hardship circumstances, with his executive manager. After exhausting all the reasonable options, consideration was given to the facts that winter was approaching and the poor condition of her cottage. The decision was made that ESV would direct [a distribution company] to replace the defective overhead line from the transformer to the shed. This would assist the owner to care for her own health and wellbeing.

CASE STUDY 2

[private address]

A property owner received notification from [a distribution company] informing her that the private overhead line (POEL) on her property is located in a hazardous bushfire risk area (HBRA) and does not meet the minimum requirements. Subsequently she was advised that she must employ a Registered Electrical Contractor (REC) and arrange for her POEL to be replaced with an underground line.

The owner obtained quotes from an REC to place her line underground, and receive a separate quote from [a distribution company] to have an electricity supply pit installed on the front boundary of her property.

Not including the REC costs, the supply pit installation quote alone, exceeded $4600.00.

The owner approached a Financial Counsellor, at St Lukes, seeking financial assistance due to her personal financial hardship. The owner was not successful in securing funds to carry out the electrical work required.

The owner contacted [a distribution company] and informed them she was not in a financial position to replace the defective line underground.

[A distribution company] escalated the matter to ESV - the private electric line inspection report indicated there was an unserviceable defective pole with a reported diameter of 160mm girth.

As a matter of course prior to directing [a distribution company] to remove supply to the property, the compliance officer visited the site and inspected the private overhead electric line (POEL) and noted the girth of the pole at ground level measured 700mm and just below ground a girth of 610mm, both measurements met the minimum requirements and as a result the pole was not defective.

The compliance officer contacted [a distribution company] and discussed the compliance discrepancies pertaining to the pole's girth.

[A distribution company] stated they would refer the matter back to the pole inspection contractor, who carried out the inspection. As a result of the referral the pole inspector recommended that the defect notice was withdrawn.

[A distribution company] requested ESV to contact the owner and inform her that the POEL defect notice has been withdrawn and subsequently the line is not required to be placed underground.

CASE STUDY3

[private address]

26.8.2012 - A Registered Electrical Contractor (REC) contacted ESV requesting a 60 day emergency restoration reference code, due to a fault on the private overhead electric line (POEL) located in a hazardous bushfire risk area (HBRA). As part of the conditions of the emergency restoration the POEL was to be removed from supply and placed underground within 60 days.

The REC contacted ESV to raise his concern for the wellbeing of the owner of the property. He stated that the customer is a very elderly, terminally ill gentleman. The owner resided alone and was not in a position, due to very poor health and personal circumstance, to meet the financial burden required to carry out the electrical work to place the POEL underground.

The REC was a lifelong member of the local community, who had known the owner all his life and under the circumstances, he felt an obligation to assist the terminally ill gentleman, to maintain electricity supply to the property by providing the required materials and labour to place the line underground.

ESV has been in contact on a number of occasions with the REC over the past years and he confirms that he has not recovered financially from his generosity, as the cost exceeded $9000 to assist the elderly gentleman.

CASE STUDY 4

[private address]

On 21 January 2015 a compliance officer attended [private address] as the result of a defective private overhead electric line (POEL) referred to Energy Safe Victoria (ESV) to action by [a distribution company].

The compliance officer noted [a distribution company] timber transformer pole located on the property connected to a private overhead electric line (POEL) located in a high bushfire area (HBRA). The POEL consisted of three timber poles, two spans of open wire conductor and a single span of insulated conductor from the last pole to the house.

The compliance officer inspected the POEL and noted the first pole of the line was defective and unserviceable; the insulation covering the last span of conductor had become cracked and had started to peel off the conductor rendering the conductor unserviceable and subsequently defective.

The compliance officer met with the owners of the property and explained to them that their property is located in a high bushfire area (HBRA) and that the defective overhead conductor must be replaced with an underground conductor. They stated that they did not have the money to cover the cost of the electrical work. The compliance officer explained the defective line would have to be disconnected from service.

The owners of the property are elderly pensioners residing in a weatherboard cottage, in a deteriorated condition in need of repair. The owners informed the compliance officer that they were suffering financial hardship and poor health and would not be able replace the POEL underground.

The owners also informed the compliance officer that they had solar generators fixed to the roof of the house that may be used to supply a very limited electricity supply to the house during daylight hours only.

For safety reasons, ESV arranged with [a distribution company] to remove the electricity supply to the POEL.