



2022-25 Energy Networks Regulation Strategic Plan

Final Plan

October 2022

Energy >>

Tribunal Members

The Tribunal members for this plan are:

Carmel Donnelly PSM, Chair
Deborah Cope
Sandra Gamble

Energy Networks Regulation Committee Members

The Energy Networks Regulation Committee members for this plan are:

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The Independent Pricing and Regulatory Tribunal

IPART's independence is underpinned by an Act of Parliament. Further information on IPART can be obtained from [IPART's website](#).

Acknowledgment of Country

IPART acknowledges the Traditional Custodians of the lands where we work and live. We pay respect to Elders, past, present and emerging.

We recognise the unique cultural and spiritual relationship and celebrate the contributions of First Nations peoples.

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1 Introduction

Since the formation of IPART's current Energy Networks Regulation (ENR) role in 2015, the network operators have improved their level of compliance in areas IPART identified as priorities for improvement.^a However, the operating environment for network operators and IPART has changed substantially since 2015 and is set to change further. In particular, the transitions occurring due to climate change are driving numerous other changes. Networks need to respond to climate change to ensure outcomes for the people of NSW do not deteriorate.^b In response to climate change, we are seeing increasing renewable generation and associated network changes, increasing Distributed Energy Resources (DER) including the introduction of community batteries, legislative changes to support Stand Alone Power Systems (SAPS) and others.

It is an appropriate time to consider the strategic response for the ENR role within IPART. This will allow us to better adapt our role to meet these challenges and ensure we are meeting the expectations of our stakeholders, including the people of NSW.

In developing this 2022-25 ENR Strategic Plan, we have engaged with numerous stakeholders and harnessed new and innovative thinking from across IPART and other stakeholders.

For the first time, we have considered the specific mission for the ENR function within IPART as well as what regulatory outcomes we are seeking and the measures of our success. We have identified the key risk areas facing the industry we regulate, and their relative risks. Based on these inputs and in response to these risks, we will identify our compliance and enforcement priorities and update them annually. Finally, we have identified actions we need to complete in order to deliver on the promise of this strategic plan.

1.1 Our regulatory responsibility

IPART regulates the compliance of energy networks and is empowered through a range of legislation, including the:

- *Electricity Supply Act 1995* (ES Act)
- *Electricity Supply (Safety and Network Management) Regulation 2014* (ESSNM Regulation)
- *Gas Supply Act 1996* (GS Act).

The ES Act underpins regulatory obligations on electricity networks in NSW, including those in relation to safety and licencing which IPART regulates. Included under the ES Act, network operators must notify IPART of Serious Electrical Work Accidents (SEWAs) and we have appointed inspectors with powers to investigate incidents.

^a Particularly in the areas of safety and licence conditions, such as Critical Infrastructure, Reliability, Public Lighting and other obligations.

^b Left unmitigated, climate change is expected to increase bush fire risk, reduce reliability, and increase loss of supply risk and stress network assets making their failure more likely. In addition, new technologies in response to climate change introduce new risks which need to be managed.

The fundamental regulatory objective of the ESSNM Regulation is to ensure network operators take "all reasonable steps to ensure that the design, construction, commissioning, operation and decommissioning of its network (or any part of its network) is safe". These steps are documented in a network operator's Electricity Network Safety Management System (ENSMS), which IPART may direct audits of and issue directions against.

From December 2015, licences were progressively issued to the four major network operators in NSW. IPART's role includes holding the network operators to account for meeting the conditions set out in their licences. Five key aspects of the licence conditions are concerned with upholding critical infrastructure, reliability performance standards, a code of practice related to environmental impact statements, compliance with the NSW Public Lighting Code and compliance reporting and auditing. IPART's objective is to monitor and enforce the requirements of the licences.

The GS Act also underpins obligations on gas network operators in NSW, although IPART's regulatory role is very limited and concerns certain aspects of licencing.^c

1.2 Other regulatory agencies

In fulfilling our regulatory responsibility, we operate in conjunction with other regulatory agencies.

In Table 1 below, a scheme administrator is the entity that decides on the rules of the scheme being regulated by IPART, a co-regulator is a regulator that operates in NSW and regulates similar aspects to those regulated by IPART, and a peer jurisdictional regulator is a regulator that performs the same or similar regulatory role for network operators in another state or territory.

Table 1 Other regulatory agencies and their regulatory responsibility

Regulatory risk areas	Scheme administrator	Co-regulator	Peer jurisdictional regulators
Bush fire safety obligations	NSW Government	NSW RFS ^b	ESV, UTR, ESO ^f
Critical infrastructure licence conditions ^a	NSW Government		
Public safety	NSW Government		ESV, UTR, ESO ^f
Worker safety	NSW Government	SafeWork NSW	ESV, UTR, ESO ^f
Network reliability licence conditions	NSW Government	AER ^c	AER ^{c,e}
Loss of supply (safety risks)	NSW Government		ESV, UTR, ESO ^f
Public lighting licence conditions	NSW Government		AER ^{c,e}
Environmental (safety risks)	NSW Government	EPA ^d	ESV, UTR, ESO ^f

a. IPART actively engages with the Cyber and Infrastructure Security Centre (Commonwealth) on this risk area.

b. NSW RFS: NSW Rural Fire Service

c. AER: Australian Energy Regulator (Commonwealth)

d. Environment Protection Agency (NSW)

e. The AER maintains a default guarantee of service scheme for public lighting services and reliability, which is inactive when jurisdictional schemes apply, such as in the NSW licences.

f. ESV: Energy Safe Victoria (VIC), UTR: Utilities Technical Regulator (ACT), ESO: Electrical Safety Office (QLD)

^c Within this document, unless an explicit reference is made to "gas networks" or "energy networks", then all statements or references, including to "networks" or "network operators", are to be taken to apply only to electricity networks or their operators.

2 Our mission

For the people of NSW to benefit from safe, reliable and efficient energy networks

3 Our regulatory outcomes

We have sought to clearly define our regulatory outcomes. These outcomes are measurable and achievable. They enable us to demonstrate how our initiatives contribute to outcomes over time and they improve transparency and accountability to stakeholders.

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| 01 | Minimise safety incidents to the public and workers on or near the network by holding electricity network operators accountable for reducing safety risks to as low as reasonably practicable. |
| 02 | To achieve licenced electricity network operators compliant with critical infrastructure licence conditions. |
| 03 | To develop a culture where electricity network operators proactively comply with all regulatory and licence obligations and achieve timely rectification of non-compliances. |
| 04 | Ensure that our regulatory activities are proportionate to manage the risks identified and outcomes sought. |
| 05 | To be recognised as an effective regulator through best practice regulation and engaging with stakeholders. |
| 06 | Ensure network operators understand climate change risk and are positioned to proactively and efficiently manage it. |

4 Our measures of success

We will use the following measures to gauge our success against the outcomes listed above:

- ✓ Safety management system performance, as reported annually
- ✓ Network operators' compliance with safety management system obligations via self-reporting and auditing
- ✓ Network operators' compliance with critical infrastructure licence conditions via self-reporting and auditing
- ✓ Network operators' compliance levels with licence conditions
- ✓ Number, severity and network operators' level of control of electricity safety incidents on or near their electricity networks
- ✓ Network operators have plans in response to climate change that have been developed through engagement with stakeholders
- ✓ Number of delays or errors in network operators' self-reported data provided to us, including actions within rectification plans
- ✓ Number of proactive and additional engagements with stakeholders (for the purpose of influence, promotion of shared understanding and trust)
- ✓ Feedback loop with policy makers on our observations on how the regulatory framework is performing

5 Our strategic priorities and risk mitigations

We have looked at what we can do to better ensure our regulatory outcomes.

When considering the mission and desired regulatory outcomes, we have identified the following strategic risks:

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| 01 | Climate change increasing the risk to and from electricity networks safety and resilience. |
| 02 | We fail to develop capability, with regard to electricity network changes driven by climate change. |
| 03 | We fail to focus on the areas where IPART can maximise value, given our limited resources and the presence of co-regulators. |
| 04 | We fail to adequately assure that safety management policy and procedures are being implemented. |
| 05 | Legislation and our regulatory role do not evolve with changes in electricity networks and risks. |
| 06 | Cyber-attacks and incidents threaten to undermine the ability of electricity networks to provide a service. |
| 07 | The costs of securing regulated outcomes are disproportionate to the risks being managed, which drives up costs for network operators and is not efficient. |
| 08 | We fail to persevere with important, yet complex and difficult problems. |

To achieve our regulatory outcomes, while addressing the risks identified above, we need to respond with strategic priorities. In turn, each strategic priority has various actions and activities to be completed for us to achieve those priorities (see Table 2).

Table 2 Strategic actions for each strategic priority

Strategic Priority	Action
Regulatory excellence	Publish the 2022 ENR Strategic Plan
	Review, determine and publish our compliance and enforcement priorities annually
	Review the regulatory landscape of the energy supply system and seek opportunities where IPART can assist with regulatory consistency and efficacy
Adaptation to climate change	Maintain industry knowledge in evolving areas such as climate change and associated areas of DER, SAPS, renewable generator infrastructure, etc.
	Seek presentations to the ENR Committee from the regulated entities on their response to climate change
Stakeholder engagement	Continue to develop the culture of responsiveness and accessibility within the ENR team
	Collaborate with other relevant regulators to inform regulatory best practice on outcomes and climate change risk
Workforce development and succession	Take an increasingly proactive position in holding regulated entities to account for their deliverables
	Develop training and development plan for the ENR team to consider future needs, identify knowledge gaps and areas for upskilling to ensure team members are cross skilling within the team, including succession

6 How we will keep this strategy alive

6.1 Holistic review of this strategy

This strategy is intended to cover a three-year period. We will conduct a holistic review of this strategy prior to its expiry (see Figure 1 below). The intent is that this holistic review encompasses all aspects of the Strategic Plan, rather than the narrower aspects considered in the annual review described in section 6.2 below.

Figure 1 Strategic plan review cycle



6.2 Annual review of our results

We will perform an annual review of our operations and results. This will feed into regulatory priorities and actions (see Figure 2 below). It is not intended that this annual review would change the regulatory outcomes.

Figure 2 Annual review cycle

