

8 February 2022

Carmel Donnelly (Chair)
Energy Networks Committee
C/O Jennifer Vincent
IPART
Submitted electronically

Dear Ms Donnelly, Ms Cope and Ms Gamble,

**Ausgrid and Endeavour Joint Submission:
Draft recommendations on Review of Fire and Rescue NSW's fees and charges**

Ausgrid and Endeavour welcome the opportunity to provide a Joint Submission to the Independent Pricing and Regulatory Tribunal of NSW (**IPART**) on its Review of Fire and Rescue NSW's (**FRNSW**) fees and charges – Draft Report released in December 2021 (**Draft Report**).

We understand and appreciate the need to review which FRNSW services should have user charges set out in the Fire Brigades Regulation (**FB Regulation**), however we have three key concerns with the current proposal:

1. The Draft Report represents a significant departure from the approach set out in the Issues Paper resulting in a significant increase in the hazmat service charges imposed on network businesses;
2. The Draft Report does not appear to be consistent with the principles outlined in the Issues Paper and Draft Report of equity, efficiency and risk mitigation; and
3. We have not been able to validate the impact of the Draft Report's proposed changes.

We expand upon these issues below.

1. The Draft Report represents a significant departure from the approach set out in the Issues Paper resulting in a significant increase in the hazmat service charges imposed on network businesses

FRNSW's submission to the Issues Paper highlighted that there are differences between essential services that generate a public benefit like FRNSW and network businesses compared with private industry which are 'gaining a financial benefit in the process'.¹

It therefore does not clearly follow that hazmat service charges should attract a user service charge in the way proposed in the Draft Report whereby network businesses are treated the same as non-essential service providers. This is because the NSW electricity network service providers also provide a monopoly service that is funded by the general public and are still majority government

¹ See FRNSW's response to Question 1 at https://www.ipart.nsw.gov.au/sites/default/files/cm9_documents/Online-Submission-Fire-and-Rescue-NSW-K.-Foldi-26-Oct-2021-124853877.PDF/. Full quote for context: 'The cost of providing FRNSW regulatory services needs to be borne directly by industry stakeholders that are benefiting from those services and not by the general public. FRNSW provides services which are unique to the experience and skillset of FRNSW and generate a public benefit (through improved safety) that cannot otherwise be provided by the private sector. In the absence of these services, developers and building owners would otherwise transfer unacceptable risk to the community, gaining a financial benefit in the process.'

owned. Similar to FRNSW, we are distinct from non-essential service providers in that we have an obligation to maintain and operate our electricity networks in a safe and reliable manner in the interests of electricity customers (i.e. the general public). In fact, FRNSW and the NSW electricity networks often work collaboratively on managing incidents and responding to emergencies such as 'wires down' events and disconnection and isolation services to support the combat of fires.

Further, given the NSW electricity networks recover their costs from the general public we do not financially benefit from the application or non-application of charges by FRNSW. Under our regulatory framework we would be entitled to recover the costs associated with this potential change in regulation. This means that any change involves a transfer of billing responsibility from the essential service levy (**ESL**) onto electricity networks that will involve additional administrative costs. It may also result in customers paying twice for FRNSW's service via the levy and then again via the national energy framework cost recovery rules. We therefore question whether this enhances the value of the services we provide the general public or accords with long-standing policy efforts to alleviate electricity prices in NSW.

The scope of the review currently excludes reviewing the ESL, however, if network businesses were to be treated the same as non-essential services, then the levy should be reviewed to ensure that customers are not potentially being charged twice for the same service, i.e. FRNSW attending an incident as the first responder.

Additionally, it is consistent with the public policy intent of emergency response that FRNSW attend incidents as the first responder. FRNSW has the appropriate expertise and emergency response remit to triage incidents to determine which secondary responder should attend to enable a response resolution. This enables all essential service providers to operate as efficiently as possible and not necessitate attendance at every single incident, adding cost and inefficiency in emergency response situations.

Of note, there needs to be greater consistency between different essential service providers; We understand that Jemena and Sydney Water are treated differently and the impacts of the proposed changes to the hazmat services charges would not be as significant or not impact them at all.

2. The Draft Report does not appear to be consistent with the principles outlined in the Issues Paper and Draft Report of equity, efficiency and risk mitigation

While we support the principles equity, efficiency and risk mitigation outlined in the consultation paper and draft report, the report should consider these factors holistically.

- Equity: a significant portion of the 'wires down' incidents are due to third party involvement such as vandalism, high loads and car accidents and/or for third party assets such as telecommunications and privately owned lines.

It is unclear whether FRNSW would levy fees on these third parties or expect the electricity networks to administer this process to ultimately bill the responsible party.

- Efficiency: there is no evidence to suggest the NSW electricity networks have been inefficiently utilising this service to date. In fact, both Ausgrid and Endeavour Energy have negotiated Memorandums of Understanding with FRNSW in recent years, with the two-hour fee waiver a result of the positive commitments made by the electricity networks in these agreements. However, we would be open to any opportunities to improve current practices if FRNSW has concerns. Given the call out fee would form the majority of the charge under the proposed change we do not consider it will provide an incentive to improve the utilisation of this service even if there was an issue currently.

- Risk mitigation: it is not clear that charging the NSW electricity networks for Draft Report's hazmat services would provide any incentive to improve risk mitigation and resource allocation. As noted above, many of these incidents relate to the assets and/or actions of third parties or acts of nature and we are not aware of any concerns with our current practices in utilising this service from FRNSW. It is worth highlighting that we already have obligations in place that we must meet with respect to the security and safety of our assets and regulatory oversight and incentives to provide our services efficiently.

3. We have not been able to validate the impact of the Draft Report's proposed changes

Ausgrid and Endeavour Energy have not been able to validate the estimated charges outlined in the Draft Report. When Ausgrid requested that FRNSW provide the source data so that Ausgrid could validate the Draft Report's estimations, FRNSW advised that: '... there is no readily available data set that lists uncharged hazmat wires down incidents that include the energy provider detail.'

We would like to better understand the methodology IPART used to estimate costs to energy customers given the advice from FRNSW that there is no readily available dataset. We recommend that IPART investigates this further to ensure the final decision is based on a reliable estimation of the potential impacts at a business level. This is also necessary to inform our position on the proposed changes and in order to develop robust operating cost forecasts as part of our upcoming revenue determination for the FY25-29 period.

Next steps – further investigation, validation and consultation recommended

It is for these reasons we recommend that IPART reconsider whether the Draft Report's proposed application of FRNSW charges to the NSW electricity networks accords with the principles identified above. In our view, IPART should not apply any of the Draft Report's proposed changes to increase FRNSW's flexibility to impose charges for services under the FB Regulation to Ausgrid and Endeavour Energy. It would not be in the long-term interests of electricity customers and the residents of NSW to change the current approach as it is unlikely to deliver any improvements in efficiency or risk mitigation but rather increase their overall costs for the same service.

We recommend that IPART consult with energy consumers, for example Energy Consumers Australia (ECA) and the Public Interest Advocacy Commission (PIAC) to discuss the implications of approach proposed in the Draft Report for energy consumers having to effectively pay twice for the same service to FRNSW via the levy and the proposed charges. We similarly suggest that IPART engage with Resilience NSW from an emergency response policy principles perspective to ensure that the proposed charges align with the broader state emergency management policy framework.

We thank IPART for the opportunity to comment on the Draft Report. If you have any questions in relation to this submission, please contact:

- Ausgrid: Ms Naomi Wynn, Regulatory Policy Manager at [REDACTED] or
- Endeavour Energy: Mr Patrick Duffy, Manager Regulatory Transformation & Policy at [REDACTED]

Yours sincerely,

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