

**Australian Energy
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**Victorian Electricity
Distribution
Determination 2011**

-

**Addendum to Review of
Distributors Proposed
Rates in ACS Charges**

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1 Background and Scope

Following the AER's draft decision on alternative control services prices for the Victorian DNSPs over 2011–15, the DNSPs have provided revised regulatory proposals outlining their response to the AER's draft decisions and Impaq Consulting's report, *Victorian Electricity Distribution Determination 2011—Review of Distributors Proposed Rates in ACS Charges* (25 May 2010).

The AER has engaged Impaq Consulting to assist the AER in responding to some of the issues raised in the revised proposals.

CitiPower and Powercor have raised issues and provided some additional information around the following key areas of the draft decision:

1. Contract rates—rate increases over 2012–15 due to the AMI rollout
2. Various worker hourly labour rates—including Impaq's reliance on advertised salaries, daily work hours, public holidays, non-chargeable time, comparisons with rates charged by other DNSPs in the NEM
3. Times taken to perform various services—in particular field officer visits, special reads, service vehicle visits and meter equipment tests, including issues around the estimated work required in conducting these services

Jemena's revised proposal raised issues and provided new information on the following areas of the AER's decision:

1. After hours rates—EBA requirements to pay workers for a minimum of four hours
2. Scheduler hourly rates—difference between a line worker and a scheduler
3. Times taken to perform services—particularly back office functions, process for wasted service vehicle visits, and contract rates associated with meter equipment tests.

2 Citipower and Powercor - Contract Rates

In their revised regulatory proposals, Citipower and Powercor have again requested that the escalation of their service provider's contract rates over 2012-15 for reconnection, disconnection and special meter read services be accepted. The escalation proposed is given in Table 1.

Year	2011	2012	2013	2014	2015
Rate Increase	20% 50%		100%	100%	100%

Table 1 – Escalation of reconnection, disconnection and special meter read services

The information from Citipower's and Powercor's contractor for the provision of these services indicates that the basis for the significant increases in rates is due to the AMI rollout which will automate these services for those customers that have an AMI meter. In the early years of the rollout of AMI (2009 to 2011) it would not be expected that AMI would seriously damage the efficiencies of providing these manual services. This is due to AMI being rolled out by meter reading routes, and where not rolled out the efficiencies previously available for manual services would still be largely there.

The AMI rollout profile is such that by the end of 2012 the vast majority of small customers in Victoria will have an AMI meter. Once the AMI rollout is complete the requirement for these services will be greatly reduced. There will still be the requirement for physical disconnection of supply (removal of service fuse) to premises that have not been energised for a period of time; perhaps 6 months or more. Similarly when such premises require supply again there will be a need for physical reconnection (fuse insertion). With greatly reduced numbers of such services there is also a significant loss of efficiencies as travelling times between premises requiring the services will be greatly increased.

In relation to this, it is noted that the Citipower proposed charges for these services (for 2011 in 2010\$) are much lower than in the previous regulatory period. Further the proposed charges for 2013 through 2015 (escalated) are still somewhat less than the charges in the previous regulatory period as shown in Table 2.

Business Hours charges	Excluded service charge for 2010	Proposed – for 2011	Proposed – for 2013
Special read	23.82 10.29		18.75
Re-energisation (reconnect)	23.82 13.27		21.79
De-energisation (disconnect)	23.82 13.45		22.15

Table 2 – Citipower – Comparison of charges

In relation to Powercor the proposed charges for 2013 are between 45% to 74% higher than that for 2010 as shown in Table 3. Although this is a considerable increase it is less than the 100% number implied in Table 1.

Business Hours charges	Excluded service for 2010	Proposed – for 2011	Proposed - for 2013
Special read	19.97 15.70		29.61
Re-energisation (reconnect)	19.97 18.71		32.67
De-energisation (disconnect)	19.97 19.80		34.85

Table 3 – Powercor - Comparison of charges

Hence it is our view that the proposed escalation is reasonable.

3 Lineworkers Charge out rates

This section deals with issues raised by Citipower, Powercor and Jemena in relation to chargeout rates for lineworkers.

3.1 Wage rates

3.1.1 Line Workers

Citipower and Powercor have indicated that they consider the range of wage rates used to be not realistic and have presented a Hay's survey of wages/salaries in the Energy Industry showing salaries of \$70,000 to \$85,000 pa. This does not line up with other evidence. For example Integral Energy's advertised positions for lineworkers (refer Appendix A) which gives weekly rates of \$1077 to \$1351 (which is \$56,000 to \$70,250 per annum)

3.2 Available hours

Based on the revised proposals of the DNSPs, the calculation of available hours per annum has been reduced from 1642.5 to 1562.4 due to changes in the number of public holidays and daily hours of work in the CEPU work agreement. This is summarised in Table 4.

Item	Days or Hours	Comment
Public Holidays	12	Powercor CEPU work agreement
Personal/Carers leave	12	Electrical Power Industry Award 2010
Annual Leave	20	Fair Work – National Employment Standards
Working days per annum	217	
Hours per day	7.2	Advice from Citipower/Powercor of CEPU workplace agreement
Available hours per annum	1562.4	

Table 4 - Available hours calculation

3.3 On Costs

The components of on-costs for normal time activities and after hours have been revised as summarised in Table 5.

Item	On Costs - Low Case	On Costs - High Case	Comment
Superannuation 9%		10%	The low case is the Superannuation guarantee value of 9%. The high case at 10% is derived from the CP/PAL CEPU workplace agreement
Long Service Leave	1.7% 2.5%		The low case is based on Long service leave of 13 weeks after 15 years service. The high case is based on 13 weeks Long service leave after 10 years of service
Workcover (estimate)	1% 1%		Low case and high case reflect information from DNSP's submissions
Payroll Tax	4.90%	4.90%	Victorian Payroll Tax Rate – Revised for post July 2010
Annual leave loading (17.5%)	1.3% 1.3%		Based on 17.5% loading on 4 weeks annual leave
Total On costs	18%	20%	

Table 5 – On Costs

3.4 Non Productive Time

Citipower, Powercor and Jemena have indicated that there is no allowance for non-chargeable activities such as:

- Training
- Work group meetings
- OHS meetings for representatives
- Union Meetings
- Jury service

Without commenting on the validity or otherwise of any of the items above, it is accepted that achieving 100% utilisation of labour on chargeable work is not realistic. Our previous assumption was that the overhead rate included allowance for such non-chargeable activities. Subsequent investigation has indicated that it may not be included in all instances.

An allowance has now been made for non-productive time of 10% as proposed by Jemena in the low case. The AER's final determination on Public Lighting for Energy Australia in April 2010 has included non-productive time of 51 min per day which is 15%. The low case 10%, non productive time allowance (which gives 90% utilisation on chargeable work) represents an 11.1% adder to the effective charge out rate calculated. The high case 15% non productive time gives a 17.6% adder.

3.5 Overheads

Nothing has come to our attention that would indicate that the previously determined range for overhead rates from 20% to 31% is inappropriate.

3.6 Profit Margins

Citipower and Powercor have objected to the AER's draft decision of an allowance of only a 3% profit margin. This was based on Impaq Consulting's advice that the applicable margin for these types of services would typically be in the range of 3% to 8%. Citipower and Powercor presented evidence of O'Donnell Griffin as a major electrical contractor having an EBIT margin of 5.7%. Impaq Consulting sees this as consistent with the previously advised range, but however considers that O'Donnell Griffin and other electrical contracting businesses have a significantly higher risk profile (and hence a higher EBIT margin should apply) due to the fact they must compete to win electrical contracting work, whereas DNSPs have a monopoly on Alternative Control Services.

3.7 Total Margin above direct wages cost – business hours

Based on the above the total margin above direct labour cost is summarised in Table 6. The total is higher than the arithmetic sum of items due to the compounding nature of the calculation.

Item	Total Margin - Low Case	Total Margin - High Case
On costs	18%	20%
Non Productive time contribution (10% non productive time trans	11% 18%	
Overheads 20%		31%
Profit Margin	3%	8%
Total ¹ 62%		99%

Table 6 – Total margin above direct wages cost for business hours

3.8 Afterhours rates

It is considered reasonable that almost all after hours ACS services could be performed either on the basis of afternoon shift or overtime on day shift. It is understood the Citipower and Powercor EBA allows the normal time working day to be 7.2 hours between 6am and 6pm. With 2 hours of overtime that allows work up to 8pm. Afternoon shift can cover times to at least 10pm.

¹ The total margin is not the arithmetic sum of the other items as they are compounding.

3.8.1 Afternoon shift

There is a 15% loading on afternoon shift loading in the EBA. Hence the effective chargeout rate for afternoon shift is 15% more than for normal business hours

3.8.2 Overtime

Table 7 below shows the total margin above direct wages cost when overtime of 2 hours or less is worked. The On-costs for overtime are less as overtime does not accrue long service leave or annual leave loading. Non productive time should be zero on overtime as the overtime is worked specifically for a particular job and all time is chargeable. Overheads are also lower for overtime. Normal business hours overheads are expected to be recovered during business hours and hence there is much less overhead to be recovered from overtime (which is not planned working time). The net result is that the cost of out of hours work using overtime is little different to that for afternoon shift.

Item	Total Margin - Low Case	Total Margin - High Case
Overtime loading	50%	50%
On costs	15%	16%
Non Productive time contribution (10% non productive time trans)	0% 0%	
Overheads 10%		15%
Profit Margin	3%	8%
Total ² 95%		116%

Table 7 - Total margin above direct wages cost for overtime

Hence the charge-out rates for after hours services are based on an afternoon shift, and are determined by adding a 15% penalty rate for after noon shift as required in the Award.³

3.9 Charge-out rate assessment

Table 8 below shows the resulting charge-out rate (\$/hour) for business hours and after hours based on the foregoing.

² The total margin is not the arithmetic sum of the other items as they are compounding.

³ Electrical Power Industry Award – 2010, page 24.

Charge out rates	Low Case	High Case
Business Hours	58.04 89.30	
After Hours	66.75 102.69	

Table 8 – Charge-out rate assessment

3.10 Adjustment to Citipower and Powercor charge out rates

It is noted that the Citipower and Powercor chargeout rates for lineworkers appear to include the cost of vehicles and hence overstate the rate for comparative purposes with the above analysis. Adjusted lineworker charge out rates have been assessed as detailed in Appendix B.

4 Citipower and Powercor - Time taken to provide services

Citipower and Powercor have provided revised times for some ACS services which are listed in Table 9. The view of Impaq Consulting on the reasonableness of these times is also given in this table.

No	Service	Input	Citi-Power (hours)	Powercor (hours)	Impaq time estimate (hours)	Revised times accepted?	Comments
1	Field Officer Visits – Special Reads – Accumulation meter (BH)	Back Office time	0.042	0.042	0.01 to 0.042 (average)	✓	An automated B2B service not requiring manual intervention except in rare circumstances.
7 & 8	Service vehicle visit BH & AH	Back Office time	0.8	0.75	0.3 to 0.8	✓	It is understood that the back office not only books the truck but also undertakes prime facie checking of the proposed work to be done.
		Field Staff time	3.47 (2 persons)	3.33 (2 persons)	3.33 for Powercor & 2.83 for Citipower (crew of 2 & incl travel time)	✗Citipower ✓Powercor	Times are based on 1 hour on site for a crew of 2. CitiPower assumed travel time of 45 min which seems excessive time between jobs. It would be expected that this would be more like 25 min since the geographical area of Citipower is quite small. Powercor's estimate of 43 min for travelling times appears reasonable.
		Scheduling Team time	-	0.30hrs	0.05 to 0.3	✓	The rationale advanced by Powercor for the need for personnel with detailed understanding of the various tasks required is accepted.
11 & 12	Meter equipment test – single phase BH & AH	Back Office time	0.7hrs	0.7hrs	0.5 to 0.7	✓	CP/PC have revised their times to accept Impaq's original estimates.
		Field Staff time	2.68hrs	2.61hrs	1.2 to 1.5	✗Citipower ✓Powercor	Process times have been further explained by Citipower / Powercor. The meter test times are acceptable but the travel times for Citipower are considered excessive. The accepted times are 2.61 hours for Powercor and 2.36 for Citipower
13	Meter equipment test – single phase – each additional meter	Back Office time	0.2hrs	0.2hrs	0.1 to 0.2	✓	CP/PAL have revised their times to accept Impaq's original estimates
		Field Staff time	1.1hrs	1.1hrs	0.7 to 1.1	✓	CP/PC have reduced their times and Impaq has increased its estimate.
14 & 15	Meter equipment test – multi phase BH & AH	Back Office time	0.7hrs	0.7hrs	0.5 to 0.7	✓	CP/PC have revised their times to accept Impaq's original estimates
		Field Staff time	3.49hrs	3.42hrs	3.14 for Citipower & 3.42 for Powercor	✗Citipower ✓Powercor	Process times have been further explained by Citipower / Powercor. Meter test times are acceptable but travel times for Citipower are not. Acceptable time for Citipower is 3.18
16	Meter equipment test – multi phase – each additional meter	Back Office time	0.2hrs	0.2hrs	0.1 to 0.2	✓	CP/PC have revised their times to accept Impaq's original estimates
		Field Staff time	1.95hrs	1.92hrs	1.0 to 1.9	✓	CP/PC have further explained their process times. CP/PC have reduced their times and Impaq has increased its estimate
17 & 18	Meter equipment test – CT multi phase BH & AH	Back Office time	0.7hrs	0.7hrs	0.5 to 0.7	✓	CP/PC have revised their times to accept Impaq's original estimates
		Field Staff time	3.41hrs	3.35hrs	2.0 to 3.4	✓	Testing a CT connected meter is more complicated than direct connected meters because the CTs need to be tested too.

Table 9 – Revised service times for Citipower and Powercor

5 Jemena – Chargeout rates

5.1 Line worker and back office hourly charge out rates during business hours

The matter of non-productive time has been addressed in section 3.4 above. The chargeout rates assessed are given in section 3.9. It is noted that Jemena's vehicle costs are added separately in their pricing model and are not included in the lineworker chargeout rates.

5.2 Line worker hourly charge out rates during after hours

Jemena's revised regulatory proposal indicates that Jemena considers that Impaq Consulting has not adequately considered the costs of provision of out of hours services. In particular Jemena refers to their EBA in which "*Jemena is required to pay its lineworkers for a minimum of four hours when called out to perform a job after hours regardless of the time taken to perform the job*".⁴

Impaq Consulting does not dispute that call outs are for a minimum of four hours, as this is the industry norm. Further, it is considered reasonable that such call outs can occur in relation to unscheduled work, such as during storms or major outages. However it is considered reasonable that almost all after hours ACS services (which are scheduled services) could be performed either on the basis of afternoon shift or overtime on day shift – i.e. not requiring call outs. In relation to overtime, it is understood that the EBA allows the normal time working day to be 7.2 hours between the hours of 6am and 6pm. With 2 hours of overtime (which attracts a rate of time and a half) that allows work up to 8pm.

Hence it is our view that afterhours services should not be charged on the basis of call out rates. The rates for after hours services as calculated in section 3.9 for Citipower and Powercor should also apply to Jemena.

5.3 Jemena – Scheduler hourly rates

Jemena's revised regulatory proposal indicates that Jemena does not agree with the AER statements in relation to the applicable charge out rates being midway between that of a back office worker and that of a lineworker.

Jemena states that the work of a scheduler is not highly similar to that performed by a back office worker. The skill set of a scheduler, who is involved in relation to a connection service, is very different to that of a back office staff member. A scheduler is generally a former line worker. An important prerequisite for a scheduler is a thorough understanding of the field work to be undertaken by a line worker. A scheduler is required to know the typical time taken to do the various field tasks, the material required for each of the tasks, likely problems that can occur when completing the tasks and the hazards associated with each of the jobs. These attributes are necessary to efficiently schedule the service orders each day and assign the jobs to the appropriately skilled service crews and ensure availability of required materials.

Jemena's definition of the role of scheduler is accepted. However in relation to charge out rates it is noted that in Jemena's ACS cost build up models the charge

⁴ Jemena's revised regulatory proposal page 331

out rate for schedulers has been about half way between that of a back office worker and that of a line worker. Hence it is our view t hat there should be no change to the rate for a scheduler.

6 Jemena – Time taken to provide ACS services

6.1 Back office business times

Jemena has provided additional information in relation to the back office business processes which apply to:

- New connections
- Temporary supply services
- Service vehicle visits.

Based on this information the estimate of time for the back office activities has been increased from 0.4 – 0.6 hours to 0.4-0.8 hours. This affects items 7, 8, 9, 10, 21, 22, 23, 24, 26 and 27 in table 21 of Impaq Consulting's report, Victorian Electricity Distribution Determination 2011—Review of Distributors Proposed Rates in ACS Charges (25 May 2010). The adjustments are included in Table 10 below.

6.2 Field line worker time in relation to wasted service vehicle visit

Jemena has advised that service vehicle visits are booked in one-hour blocks per service vehicle appointment. When on arrival of the service crew (two line workers in a crew), it is found that the customer or REC is not ready for the scheduled work, then the service crew cannot be productively employed elsewhere. The crew would have already spent some time travelling to the work site and the remaining time would be about 30 minutes. The crew is expected to attend to the next scheduled appointment. Appointments are generally booked back to back. Given the short duration of each service vehicle visit, there is insufficient time on that day to schedule further jobs.

It is accepted that Jemena has little choice but to recover the costs from the person who has requested the wasted service vehicle visit. The adjustments are included in Table 10.

6.3 Back office function in relation to manual re-energisation and de-energisation services

Jemena has advised that they have distinguished the back office time taken to re-energise compared to de-energise, where there is a need for manual intervention to ensure life support customers are not disconnected. The activity volume of re-energisation and de-energisation are generally the same, given that re-energisation generally follows de-energisation for a move in/move out.

Jemena considers that the other two DNSPs have averaged the time across both functions, but Jemena has chosen to reflect the extra effort that goes into the de-energisation process by apportioning a greater portion of the back office time to de-energisation. When the times proposed in the original regulatory proposal for both the Jemena functions are averaged, the result is 0.116 hours – close to the Impaq's recommended upper range of 0.11 hours. This rationale from Jemena has been accepted and adjustments have been made in Table 10 below.

6.4 Summary

Table 10 below shows a summary of the times proposed by Jemena (including the revised Jemena proposal), the revised Impaq estimates, together with commentary, and whether the ACS times are now accepted.

No	Service	Input	JEN (hours)	Impaq time estimate (hours)	ACS times accepted ?	Comments
1	Field Officer Visits – Special Reads – Accumulation meter (BH)	Back Office time	Confidential	Confidential	✓	An automated B2B service not requiring manual intervention except in rare circumstances.
3 & 4	Re-energisation – existing premises – manual BH & AH	Back Office time	Confidential	Confidential	✓	Accepted on the basis that re-eng times and de-eng times are averaged to 0.11
5	De-energisation manual BH	Back Office time	Confidential	Confidential	✓	Accepted on the basis that re-eng times and de-eng times are averaged to 0.11
6	De-energisation manual AH	Back Office time	Confidential	Confidential	✓	Accepted on the basis that re-eng times and de-eng times are averaged to 0.11
7 & 8	Service vehicle visit BH & AH	Back Office time	Confidential	Confidential	✓	Based on Jemena and CP/PC advice it is understood that the back office not only books the truck but also undertakes prime facie checking of the proposed work to be done
		Field Staff time	Confidential	Confidential	✓	Total time here would be expected to be about 2.8 hours – 1 hour on site for crew of 2 plus 25 min travelling time for crew of 2.
		Scheduling Team time	Confidential	Confidential	✓	Accepted on the basis that the field service time above is 2 hours only and that the additional 0.8 hours allowed offsets the scheduling team time here.
9 & 10	Wasted service vehicle visit	Back Office time	Confidential	Confidential	✓	Based on Jemena and CP/PC advice it is understood that the back office not only books the truck but also undertakes prime facie checking of the proposed work to be done.
		Field Staff time	Confidential	Confidential	✓	It is understood that the reduced site time on a wasted truck visit cannot easily be used for other truck appointments as they will be at set times.
		Scheduling Team time	Confidential	Confidential	✓	Accepted on the basis that the field service time above is 2 hours only and that the additional 0.8 hours allowed offsets the scheduling team time here.
21 & 22	Temporary supply – coincident abolishment BH & AH	Back Office time	Confidential	Confidential	✓	Based on Jemena advice it is understood that the back office also undertakes prime facie checking of the proposed work to be done. The Impaq allowance has been increased accordingly from 0.6 to 0.75
		Field Staff time	Confidential	Confidential	✓	Unchanged from previous report
		Scheduling Team time	Confidential	Confidential	✓	Accepted on the basis of advice from Jemena that the scheduling team is required to check that the power supply capacity and connection arrangements required are realistic

No	Service	Input	JEN (hours)	Impaq time estimate (hours)	ACS times accepted ?	Comments
		Vehicle Time	Confidential	Confidential	✓	Unchanged from previous report
23 & 24	New connections – single phase single element	Back Office time	Confidential	Confidential	✓	As per item 21 & 22
		Inspection and Testing time	Confidential	Confidential	✓	Unchanged from previous report
		Scheduling Team time	Confidential	Confidential	✓	Accepted on the basis of advice from Jemena that the scheduling team is required to check that the power supply capacity and connection arrangements required are realistic.
		Field Staff time	Confidential	Confidential	✓	Unchanged from previous report
		Vehicle Time	Confidential	Confidential	✓	Unchanged from previous report
26 & 27	New connections – three phase direct connected	Back Office time	Confidential	Confidential	✓	Based on Jemena advice it is understood that the back office also undertakes prime facie checking of the proposed work to be done. The Impaq allowance has been increased accordingly from 0.6 to 0.75
		Inspection and Testing time	Confidential	Confidential	✓	Unchanged from previous report
		Scheduling Team time	Confidential	Confidential	✓	Accepted on the basis of advice from Jemena that the scheduling team is required to check that the power supply capacity and connection arrangements required are realistic
		Field Staff time	Confidential	Confidential	✓	Unchanged from previous report
		Vehicle Time	Confidential	Confidential	✓	Unchanged from previous report
28 & 29	New connections – three phase current transformer connected	Back Office time	Confidential	Confidential	✓	Based on Jemena advice it is understood that the back office also undertakes prime facie checking of the proposed work to be done. The Impaq allowance has been increased accordingly from 0.6 to 0.75-
		Inspection and Testing time	Confidential	Confidential	✓	Unchanged from previous report
		Scheduling Team time	Confidential	✓		Accepted on the basis of advice from Jemena that the scheduling team is required to check that the power supply capacity and connection arrangements required are realistic

Table 10 - Revised service times for Jemena

A Line worker wage rates



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Overhead Line Workers / Distribution Powerline Workers Parramatta / Penrith/ Liverpool area & Wollongong

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B Adjustment of Citipower and Powercor lineworker rates

In Impaq Consulting's report to the AER of 25 May 2010, tables 2 & 3 show the lineworker charge out rates (adjusted to 2010\$) proposed by Citipower and Powercor. This is summarised in Table 11.

Original proposal	CitiPower	Powercor
Business Hours	\$132.01	\$124.04
After hours	\$145.17	\$136.39

Table 11 – Original Proposal

It has since come to our attention that in the Citipower and Powercor proposed ACS charges where lineworkers are included, there has been no allowance for recovery of the cost of vehicles. The cost of vehicles given in the AER decision on "Energy Efficient Public Lighting Charges (Victoria) 2009 is:

- Elevated Platform Vehicle (Urban) \$35/hour
- Elevated Platform Vehicle (Rural) \$45/hour
- Patrol Vehicle (also GLT⁵) \$10/hour

For Powercor for two person crews based on a blend of 30% of GLT at \$10 per hour and 70% of EWP at an average of \$40 per hour⁶ giving a net charge of \$32 per hour or \$16 per linesman. For Citipower for two person crews based on a blend of 30% of GLT at \$10 per hour and 70% of EWP at \$35 per hour giving a net charge of \$27.50 per hour or \$13.75 per linesman. The resulting adjusted rates are given in Table 12.

Two person crew adjusted	CitiPower	Powercor
Business Hours	\$118.26	\$108.04
After hours	\$131.42	\$120.39

Table 12 – Two person crew – adjusted rate

The cost of a vehicle for a single person crew is assessed to be that of a GLT at \$10 per hour. The resulting adjusted rates are given in Table 13.

One person crew adjusted	CitiPower	Powercor
Business Hours	\$122.01	\$114.04
After hours	\$135.17	\$126.39

Table 13 – Single person crew – adjusted rate

⁵ Other DNSPs have used this rate for GLT

⁶ Based on 50% use of EPVs in urban areas and 50% in rural areas.

C CVs - Phil Perry & Rohan Jones

The Impaq Consulting team members that have produced this report are Phil Perry and Rohan Jones. Their CVs are included in this appendix.

Phil Perry

Position	Managing Director
Qualifications	Bachelor of Elec. Eng – Melb University Advanced. Management Certificate - AIM
Professional Memberships	Member, Australian Institute of Company Directors
Specialist expertise	<ul style="list-style-type: none"> • Smart metering • Telecommunications • Business Strategy • Operations Improvement • Mergers & Acquisitions • Marketing • Engineering
Industry Knowledge	<ul style="list-style-type: none"> • Utilities • Metering and load control • Telecommunications • Electronics • IT
Contact Information	Mobile +61 (0) 412 866 944 Email: phil.perry@impaqconsulting.com.au Address: 8/350 Collins St, Melbourne, VIC 3000.
Experience	<ul style="list-style-type: none"> • Managing Director – Impaq Consulting – 6 years • Director VENCORP – (Board Position) – 3 years • Director – BearingPoint – 1 year • Director – KPMG Consulting – 8 years • Business Development Manager, Metering – Schlumberger (France) – 2 years • General Manager – Nilsen Metering – 8 years • Division Manager – Nilsen Electronics – 2 years

Overview

Phil is a Management Consultant with broad expertise in Electricity & Gas, Transmission, Distribution & Retail. He has specialist expertise in Smart Metering, Advanced Metering Infrastructure (AMI), Smart Grid, Utility Industry Strategy, Regulation, Business Operations and Mergers & Acquisitions.

His areas of consulting have included – Smart Metering technology & functionality, Smart metering implementation, business cases for smart metering, Home Area Network requirements & technologies, metering strategy and operations, Advice to Regulators, Strategic Planning, Development of Energy Industry Policy, Procedures

and Codes; development of business plans for new and existing business ventures, market opportunity identification, marketing planning, process re-engineering, and benchmarking of business performance.

Overview of selected relevant consulting assignments

CLIENT: ESSENTIAL SERVICES COMMISSION- VICTORIA

ROLE: Project Director

SKILLS: Utility Operations and benchmarking

DETAILS: Advice on the Distribution Price review including Benchmarking of appropriate allocation between Distribution and Retail of the costs of Billing & Revenue Collection, Call Centre, Marketing, and Other Overheads.

CLIENT: TRANSMISSION UTILITY

ROLE: Project Director

SKILLS: Benchmarking

DETAILS: Led a project to benchmark the chargeout rates for non-regulated services for this transmission in relation to other comparable organisations.

CLIENT: ESSENTIAL SERVICES COMMISSION- VICTORIA

ROLE: Project Director

SKILLS: Retail market operations

DETAILS: Revision of Retail licensing guidelines including recommendations on definitive tests for technical capacity and financial viability of applicants.

CLIENT: DEPARTMENT OF PRIMARY INDUSTRIES (VIC)

ROLE: Project Director

SKILLS: Smart Metering Technology, Business Case Development & Project Management

DETAILS: Engaged by the Vic Govt DPI throughout 2006 to 2009 as the technical adviser and project manager for the preparations to rollout AMI in the state of VIC. This has involved the development of a minimum statewide functionality specification for AMI, co-ordination of some 11 trials of AMI technologies, development of performance and service standards, development of requirements for HANs and in-home displays. On behalf of DPI, Phil has chaired over 70 working group meetings involving distributors, retailers, NEMMCO, ESC and Consumer groups to co-ordinate the preparations for AMI rollout.

CLIENT: ASIAN POWER UTILITY

ROLE: Subject Matter Expert

SKILLS: Smart Metering and metering systems

DETAILS: Currently engaged to develop the 5 year strategy for this Utility to move from its present metering and billing arrangements to be ready to implement a full rollout of smart metering. This has involved making recommendations on smart metering functionality, performance levels, service levels, AMI technology trials, back office IT systems including MDMS systems.

CLIENT: CRA INTERNATIONAL/ FED GOVT DRET

ROLE: Subject Matter Expert

SKILLS: Smart Metering

DETAILS: Was engaged by CRAI to assist with the assessment of distribution business network benefits that can be realised through smart metering as an input to the National Smart Metering Cost Benefit Analysis undertaken by Fed Govt DRET. This project involved identifying possible benefits that arise from the functionalities of smart metering and after consultation with all Distribution Businesses in Australia assessing the value of those benefits for each of the States and Territories.

CLIENT: ENERGY MARKETS CONSULTING (AUSTRALIA) / FED GOVT DRET

ROLE: Subject Matter Expert

SKILLS: Smart Metering

DETAILS: Was engaged by EMCa to assist with the assessment of costs for a smart meter rollout for the National Smart Metering Cost Benefit Analysis undertaken by Fed Govt DRET. This project involved determining the costs for meters, smart metering infrastructure, installation costs, and IT systems costs for the range of smart metering technologies that would be viable for Australia. These costs were also built up so that the costs for each State and Territory could be separately determined.

CLIENT: CRA

ROLE: Subject Matter Expert

SKILLS: Metering Strategy & Technology

DETAILS: Was engaged by CRA to assist with the review of the metering operations of an electricity utility in Asia. This involved the provision of advice on best practice in relation to metering business strategy, operations and meter data management systems together with a review of their current metering business operations.

CLIENT: CRA & DEPARTMENT OF INFRASTRUCTURE (VIC)

ROLE: Subject Matter Expert

SKILLS: Metering Technology & Business Case Development

DETAILS: Was engaged by CRA to undertake a study on the business case for adding communications to the interval metering rollout mandated in Victoria. The study involved in depth analysis of a range of remote meter reading communications technologies and cost benefit modelling the societal business case for incremental costs and benefits of adding these technologies to interval metering. A few of these technologies modelled had positive business cases. Based on this study the Vic Govt has mandated the rollout of AMI for Victoria

CLIENT: TRANSMISSION UTILITY

ROLE: Project Director

SKILLS: Business Planning

DETAILS: Led a project to develop a comprehensive business plan for all the unregulated business activities, leading to the identification of, and subsequent realisation of \$80m of new business in the first year .

CLIENT: DEPARTMENT OF INFRASTRUCTURE (VIC)

ROLE: Project Director

SKILLS: Strategic Review

DETAILS: A detailed review and forward plan of organisational options for three

energy safety regulators. The review involved considerable consultation with industry and other stakeholders and the development of a range of organisational options. The result was a recommendation for the merging of these safety regulators and realisation of operational improvement efficiencies. This review resulted in the establishment of Energy Safe Victoria by combining the roles of the Office of the Chief Electrical Inspector and the role of the Office of Gas Safety.

CLIENT: TRANSMISSION UTILITY

ROLE: Project Director

SKILLS: Business Analysis

DETAILS: Led a project to analyse the strategy and performance of some business units of this Utility. Several options were developed for each business unit and these were then ranked according to the value created for the Utility. This resulted in recommendations being made for immediated divestment of one business unit and major changes to the operations of another business unit.

CLIENT: TRANSMISSION UTILITY

ROLE: Project Director

SKILLS: Strategic Planning

DETAILS: Led the development of this Utilities detailed strategic plan. This included developing a model of the external business environment for future years, identifying strategic business opportunities that will emerge and ranking these against stakeholder needs and expectations to then settle on a strategic direction which will meet the businesses value creation objectives.

CLIENT: ELECTRICITY UTILITY

ROLE: Project Manager

SKILLS: Marketing Plans

DETAILS: Assisted this utility with development of marketing plans that encompassed strategies to gain new business while also establishing a strong customer service organisation to improve customer satisfaction levels from existing customers

CLIENT: DISTRIBUTION UTILITY

ROLE: Project Manager

SKILLS: IT Strategy

DETAILS: Assisted this utility with plans to implement a mobile workforce solution involving making Workforce management applications available to personnel in the field via hand held computers (PDAs) communicating via GSM & GPRS.

CLIENT: TRANSMISSION UTILITY

ROLE: Project Manager

SKILLS: IT Strategy

DETAILS: Assisted this Utility with IT due diligence of a distribution utility which was an acquisition target. This involved the full analysis of the technical architecture, application architecture and IT operations.

CLIENT: ESSENTIAL SERVICES COMMISSION- VICTORIA

ROLE: Project Director

SKILLS: Retail market operations
DETAILS: Development of Retail licensing guidelines for Full Retail Contestability. This included definitive tests for the technical capacity and financial viability of applicants.

CLIENT: STATE GOVERNMENT AND ELECTRICITY UTILITY
ROLE: Engagment Leader
PROJECT: Operations Improvement
DETAILS: The State Government identified that this major State owned Electricity Utility needed to reduce it's operating costs. Phil and his team undertook an in-depth review of operations and identified that some \$60m pa of costs savings could be achieved.

CLIENT: ELECTRICITY REFORM AND SALE UNIT of the SA GOVERNMENT
ROLE: Project Director
SKILLS: Business Planning
DETAILS: Development of plans for the establishment of the South Australian Independent Industries Regulator and the allocation of responsibilities between the SAIIR and the Technical regulator.

Rohan Jones

Executive Summary

Rohan has worked in the energy infrastructure industry for more than 25 years, primarily in electricity distribution but also in gas distribution. He has experience in all aspects of energy distribution, including design and construction, operations, commercial analysis, business and regulatory management.

Rohan has extensive expertise in the economic regulation of electricity distribution under the Victorian and National regulatory regimes. This has involved the management of all aspects of economic regulation for an electricity distributor, including responsibility for a number of Victorian price reviews, numerous changes to regulatory instruments and the development of the National Electricity rules.

More recently he has been extensively involved in the strategic, commercial and regulatory aspects of the Victorian program to roll out Advanced Interval Meters (AIMRO), including the development and provision of responses to the proposal to roll out interval meters (which preceded AIMRO), development of the regulatory instruments that govern AIMRO and provide the distributors with the recovery of their costs, the development of pricing proposals for two distributors for the recovery of their costs, and the management of all legal and regulatory matters for two distributors.

He holds a degree in Electrical Engineering and a Masters of Business Administration, both from Sydney University.

Career History

Consultant 2008 - present

As a consultant, Rohan has been involved in many different activities, including:

- providing expert reviews of documents for submission to a regulatory review;
- providing regulatory and industry advice to a provider of smart network and metering solutions;
- as part of a consortium, carrying out the feasibility studies for a number of solar thermal power station; and
- analysing and reporting to government on the benefits of power factor correction as a means to reduce electrical demand and greenhouse gas production.

His special interest is in improving the sustainability of the electricity industry and reducing its impact on the environment.

AGL/Alinta - Manager Regulatory Affairs, 1998 - 2008 Electricity Networks

AGL was the owner of an electricity distribution network in Victoria. AGL also owned or had significant interests in other business activities that were subject to various levels of regulation, including gas distribution, electricity and gas retail and wholesale, gas transmission and electricity generation. In 2006, Alinta acquired the regulated assets from AGL.

Rohan's primary role was the management of all areas of economic regulation for electricity distribution. He also had the opportunity to be involved in a number of regulatory and commercial matters in other areas of AGL's interests.

In this role he also led all regulatory and many commercial aspects of AGL's and Alinta's involvement in the roll-out of interval meters and, subsequently, AIMRO.

Notable achievements during this period include:

- obtaining a sound and robust regulatory framework, within the constraints of the Victorian legislative framework, for the recovery of costs for the roll out of advanced interval meters through proactively and effectively consulting and lobbying the Victorian Government;
- managing all legal and regulatory aspects of AIMRO, including the development of two pricing proposals, for Alinta and United Energy distribution;
- obtaining successful outcomes from the 2001 and 2006 Electricity Distribution Price Reviews. In both cases the price path handed down by the regulator was sufficient to allow AGL to earn returns in excess of projections;
- the successful implementation of a compliance monitoring system for the distribution business. This system, utilising software called TRACK, provided for the delegation of the responsibility for compliance to the managers directly responsible for the relevant area while allowing compliance to be monitored and reported on, as well as identifying areas of concern;
- convincing the Regulator of the need to change existing or proposed regulation, leading to an improved outcome for AGL. There are numerous examples of this, including reviews of the Electricity Distribution Code, development of the default

Use of System Agreement, and the drafting of the Essential Services Commission Act and the Road Management Bill;

- successfully appealing against a number of aspects of the 2001 Electricity Distribution Price Determination; and
- being recognised within the company as the source of expertise on regulatory compliance in relation to the distribution business. As a result of this, it was normal practice that he was to be consulted where there are any questions as to compliance. This led me to play a key role in the decision making process at the highest levels with the distribution business.

Most of this work involved forming and leading project teams of experts from various parts of the organisation.

In 2002 Rohan was involved in AGL's due diligence on Citipower. Specifically he was responsible for analysing the level of regulatory compliance by Citipower and identifying any exposures that may exist, as well determine the appropriate cost for the provision of non-network services. He was also a member of a small team that was charged with identifying which functions it would be more appropriate for a 'passive owner' to carry out than a service provider.

In October 2003, he was seconded to the role of Manager Asset Operations for a period of 6 weeks while the manager was on leave. This role was responsible for all facets of the daily operation of the AGL gas and electricity networks, including the electricity operations centre in Melbourne and the gas operations centre in Sydney. This role had 5 direct reports and headed up a department of over 50 people. During his secondment a number of operational issues arose, including problems with the communications and control systems at Somerton and Hallett Power Stations and a major storm. He received very positive feedback from both this position's manager and the person who normally filled this role upon their return.

During this period he was also responsible for providing regulatory support to AGL in relation to its role as owner and operator of the Hallett Power Station. This involved advising on the NEM requirements as a generator, assisting in the development of asset management plans to ensure that they comply with the National Electricity Rules, and assisting in obtaining a Victorian generation licences.

Following the Alinta acquisition of the AGL regulated assets, his role was expanded to include regulatory management of Alinta Gas Network in Western Australia.

INTEGRAL ENERGY/INFOMET

Victorian Manager, 1997 - 1998 Integral Energy Metering Australia

Following the contestability of the 750MWh tranches of customers in NSW and Victoria, Integral Energy Metering Australia became the largest Meter Provider and Meter Data Agent in the National Market. My role was to set up the Melbourne office and manage the activities of the company in Victoria and South Australia.

Upon his departure from this role, the staff at the Melbourne Office consisted of a technical officer, a part time administration assistant and himself. The technical officer and administration assistant were hired by me. In addition, up to 5 metering technicians were relocated to Melbourne from Sydney for periods of a few weeks at a time. During these periods these technicians were under his management.

Notable achievements during this period included:

- setting up the office, including selection of office location and procurement of equipment;
- identification of roles, development of position descriptions, interviewing and appointment of personnel;
- management of the permanent and seconded staff;
- the development of relationships with the major players in Victoria;
- assisting in the development of tender responses;
- the development of procedures with Powercor Services as contractors for the installation of meters and ancillary equipment; and
- obtaining mutual recognition of qualifications for Integral Energy metering technicians based in Sydney.

INTEGRAL ENERGY/PROSPECT ELECTRICITY

Strategy and Costing Manager 1993 - 1997 Network Business Services

The Strategy and Costing Section facilitated and monitored the achievement of the financial objectives of the network business. This included the development of the network use of system charge, network billing and the investigation of future business opportunities (including electrical and other energy networks and other non-network investments). My first task in this role was to set up the section, including identifying the roles and staff requirements, developing processes and appointing staff.

By 1997, he had 5 direct reports from a wide variety of disciplines including engineering, finance/accounting, IT and commercial.

Notable achievements during this period include:

- the effective management of a team of highly motivated people from across many disciplines;
- the development of a system and process to formulate network bills for each retailer;
- recommendations to management on commercial opportunities which culminated in the purchase of the Nowra Gas network;
- management of the change process for Commercialisation; and
- implementation of a number of initiatives, including activity based costing and a matrix based accounting system, to increase the business focus of managers.

Various Positions prior to 1993

During this period I held the following engineering positions:

- Manager Asset Management Systems;
- Tariff and Operations Analyst;
- Engineer, Southern Area Subtransmission;
- Special Projects Engineer, System Planning; and
- Cadet Engineer.

Further details on his responsibilities and achievements during this period can be provided if required.

Education

Master of Business Administration 1993 - 1996
University of Sydney
Graduate School of Business
Bachelor of Engineering (Electrical) 1983 – 1986