



The Hon Lily D'Ambrosio MP

Minister for Energy, Environment and Climate Change
Minister for Suburban Development

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Ms Paula Conboy
Chair
Australian Energy Regulator
Level 35 The Tower
365 Elizabeth Street
Melbourne Central
MELBOURNE VICTORIA 3000

Ref: MBR034200



Dear Ms Conboy

AUSTRALIAN ENERGY REGULATOR HIGH-VOLTAGE CUSTOMER ALLOWANCE

I understand that the Australian Energy Regulator (AER) is set to make its determination on the reasonable allowance for AusNet Services and Powercor Australia to manage the issue of potential Rapid Earth Fault Current Limiter (REFCL) impacts on 22 kilovolt direct-connect, high-voltage customers (HV customers).

On 31 March 2017, both distribution businesses applied for contingent project funding to install isolation transformers at 35 HV customers for the first tranche of the REFCL rollout at a proposed combined cost to consumers of \$35.8 million (ranging from \$823,000 to \$1.18 million per installation).

In line with my previous letters of 8 May 2017 and 27 July 2017, I wish to reiterate that the Andrews Labor Government does not support the electricity distribution businesses' claims to fund a blanket isolation solution.

Electricity Distribution Code

I understand that the AER met with the Essential Services Commission (ESC) on 16 August 2017 to discuss the electricity distribution businesses' obligations under the Electricity Distribution Code (the Code). I also understand that this conversation has clarified that there are no liability concerns for the electricity distribution businesses for breach of the nominal voltage variation section (4.2.2) of the Code as a result of REFCL operation.

There remains, however, a need to ensure that effective mitigation measures are in place to support the tranche one HV customers.

High Voltage Customer Assistance Program (HCAP)

I would like to advise you that the Andrews Labor Government is preparing a \$10 million fund to assist HV customers to be REFCL ready. This fund is called the High-voltage Customer Assistance Program (HCAP). Accordingly, I would ask that the AER delay its determination set for 18 August 2017 for the government to establish this assistance fund.

This program consists of two parts:

- **HCAP 1** will assist HV customers to understand the risk posed by potential periodic REFCL overvoltage events on their privately-owned sub-networks. The fund is intended to reveal what sub-network changes, if any, are required to ensure that these HV customer sub-networks will operate safely with REFCLs.
- **HCAP 2** will provide funding assistance for targeted sub-network asset replacement on a case-by-case basis.

I acknowledge that the AER may have concerns around the timing of these works. I reiterate that the *Electricity Safety Amendment (Bushfire Mitigation Civil Penalties Scheme) Act 2017* allows timeline extensions for REFCL installation to be granted on a case-by-case basis, where there is evidence of circumstances that will delay delivery and which are beyond the control of the electricity distribution businesses. Where this is the case, Energy Safe Victoria, upon consulting with me, may grant timeline extensions. These extension applications will be taken seriously and fair consideration will be given to alternative timelines provided where necessary.

If you would like to discuss any of the points raised in my letter further, please contact Paul Murfitt, Executive Director of Energy Policy and Programs in the Department of Environment, Land, Water and Planning on 03 9637 8235 or paul.murfitt@delwp.vic.gov.au.

Yours sincerely



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