



Commissioner for
Better Regulation
Red Tape Commissioner

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16 August 2019

Mr Paul Fearon
Director
Energy Safe Victoria
Level 5, 4 Riverside Quay
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Dear Mr Fearon

REGULATORY IMPACT STATEMENT FOR THE ELECTRICAL SAFETY (GENERAL) REGULATIONS 2019

I would like to thank your staff at Energy Safe Victoria (ESV) for working with our team on the preparation of the Regulatory Impact Statement (RIS) for the Electrical Safety (General) Regulations 2019 (the proposed Regulations), which are intended to replace the Electrical Safety (Installations) Regulations 2009 (the current Regulations) which sunset on 8 December 2019.

The *Subordinate Legislation Act 1994* (SLA) requires the Commissioner for Better Regulation to provide independent advice on the adequacy of analysis provided in all RISs in Victoria. A RIS is deemed to be adequate when it contains analysis that is logical, draws on relevant evidence, is transparent about any assumptions made, and is proportionate to the proposal's expected effects. The RIS also needs to be written clearly so that it can be a suitable basis for public consultation.

I am pleased to advise that the final version of the RIS received by us on 16 August 2019 meets the adequacy requirements set out in the SLA.

Background

The *Electrical Safety Act 1998* (the Act) is the primary legislation concerning electrical safety in Victoria. The purpose of the Act is to ensure the safety of electricity supply and use, the reliability and security of electricity supply and the efficiency of electrical equipment. In the RIS, ESV notes that while the Act establishes most of the safety obligations, some more detailed requirements are set out in regulations.

The proposed Regulations are about electrical installations and are one of a number of sets of regulations that sit under the Act. Electrical installations are any electrical appliances, wires, fittings, cables, conduits or apparatus that generate, use, convey or control electricity. For a typical house, electrical installations are all of the electrical components that are installed on the premises and any appliances that are 'hard wired' into the power supply (such as stoves and hot water systems). ESV notes in the RIS that the proposed Regulations largely continue the same requirements as the current Regulations.

ESV explains in the RIS that like the current Regulations, the proposed Regulations:

- prescribe the standards of work for electrical installations;
- prescribe the testing requirements for installations;
- establish the inspection requirements for installations;
- set the fee for Certificates of Electrical Safety (COES); and
- set out duties on parties, including duties of the public to avoid risks.

Analytical approach

In the RIS, ESV considers three broad options for regulating electrical installations:

1. the current approach of making regulations that prescribe Australia-specific, Victoria-specific and sector-specific safety standards for electrical installations, largely through adopting the national Wiring Rules;
2. self-regulation in the form of a voluntary code of conduct; and
3. adopting an alternative standard from another sector or overseas.

ESV explains in the RIS that its preferred option is the current approach as these regulations set clear and objective requirements that reduce harms associated with electrical installation work. The regulatory framework facilitates ESV's enforcement.

ESV discusses its compliance and inspection regime in the RIS. It explains that the Act requires a person responsible for electrical installation work to complete a COES and provide copies to the customer and ESV. The Regulations define what electrical installation work is 'prescribed', which means that it requires a Certificate of Inspection (inspection by a licensed electrical inspector) as part of the COES process. ESV explains the scope of prescribed work in the RIS.

Scope of prescribed work

ESV analyses three options for the scope of prescribed work in the RIS:

1. not prescribing any types of electrical installation work, which would mean that no work would require a Certificate of Inspection;
2. prescribe the same types of work as the current Regulations; and
3. prescribe more or fewer types of work than the current Regulations

ESV's preferred option is prescribing the same types of work as the current Regulations. It reached this conclusion because:

- the types of work prescribed in the current Regulations represent a higher level of risk than other types of electrical work;
- there is no clear evidence that other types of work should be prescribed because of higher risks; and
- stakeholders did not identify any types of work that should no longer be prescribed during preparation of the RIS.

The total cost of Certificates of Inspections in Victoria was estimated by ESV in the RIS to be \$11.7 million per year. ESV states in the RIS that the benefits of these inspections (through reduced risks of death and injury) outweigh this cost.

Technical changes

In the RIS, ESV notes that the proposed Regulations are the same as the current Regulations, with the addition of five sets of technical changes and discusses the impacts of these changes. These changes are to:

1. Clarify that any installation work carried out on a Battery Energy Storage System (BESS) must be inspected by a licensed electrical inspector if the system's nominal voltage is at least 12 volts direct current and storage capacity is at least 1 kilowatt hour. ESV estimates that this will add \$50 of inspection costs to BESS installations, totalling up to \$513,000 over the next decade in increased installation costs.
2. For work on energised ('live) electrical equipment, establish additional requirements based on the Australian Model Regulations for Work Health and Safety but without the need for safety observers. ESV states that the additional costs of compliance are expected to be minimal because changes primarily involve standardising good practice steps that are already taken by industry.
3. Require that high-voltage installation work be independently certified for compliance with standards. ESV estimates that this requirement will apply to about 300 installations per year. It explains that the additional costs of verification work are relatively minor for larger businesses, which do the majority of such work, and that additional costs are between \$5,000 and \$10,000 per installation for smaller businesses. The combined cost is estimated to total \$1.134m annually over the next ten years.
4. Require low-voltage protection for all low-voltage connections to new substations to be located within the substation. Drawing on data from stakeholders, ESV explains that the cost of this change to the four Distribution Businesses (DBs) would be between \$20,000 and \$60,000 per substation and would apply to approximately 60 new substations per year, for a total additional cost of \$1.84m per year. This cost would likely have been incurred by customers regardless. This change results in a transfer of obligations and therefore costs to DBs from customers, which are likely to be passed back on to customers.
5. Remove the requirement for private service lines to be underground in limited circumstances. (Private service lines are electrical lines connecting a building to an electrical supply located on the same property, e.g. from a powerline running through the property). Under the proposed Regulations, private service lines could be above ground provided that they are single span, constructed of aerial bundled cable and fitted with a break away device. ESV notes in the RIS that these safety measures would effectively eliminate fire ignition risks for above ground lines. ESV also notes that above ground private service lines are significantly cheaper than underground lines (about \$2,500 rather than \$5,600, on average).

The RIS notes that these changes in aggregate are estimated to generate an expected saving of more than \$352,375 per year relative to the status quo. ESV also explains that the electrical safety benefits outweigh the costs for each of these five technical changes.

Fees for certificates of electrical safety

ESV's activities are fully funded by industry through a combination of fees for services and a levy on distribution companies. ESV uses fees for COES to cover its costs related to electrical installations.

In the RIS, ESV explains that its preferred option is full cost recovery for its electrical installation costs through fees for COES. It notes that full cost recovery would not interfere with other policy objectives such as equity.

ESV notes in the RIS that its forecast average annual costs over the next decade related to electrical installations are \$11.2 million (in 2019 dollars) and that its expected revenue from COES in 2018-19 is \$11.0 million. It therefore proposes to increase its fees slightly to achieve full cost recovery.

ESV's preferred option involves:

- no change to fees for electronic and paper COES for prescribed work (\$32.60 and \$35.50, respectively);
- no change to fees for periodic COES for non-prescribed work (\$823.40); and
- a 20 per cent increase in fees for electronic and paper COESs for non-prescribed work (up to \$8.10 and \$8.90, respectively).

ESV notes in the RIS that fees for non-prescribed COES have been increased because they are less than one fee unit (\$14.81 in 2019-20), and therefore are not automatically increased. ESV has increased these fees so that cost-recovery will be achieved on average over the next ten years.

Implementation and evaluation

ESV notes in the RIS that no substantial implementation strategy is needed for the proposed Regulations because, for the most part, the proposed Regulations continue the current arrangements and minor changes to the Regulations can be communicated through existing consultation with the electrical industry including periodic information bulletins, guidance material (printed and online), and regular engagement with stakeholders. ESV outlines in the RIS that the five technical changes discussed in the RIS would need to be communicated to industry.

ESV notes in the RIS that despite the significant impact of the regulations, it does not propose to formally review them until they are due to be remade in 2029. ESV justifies this approach as it has a number of existing mechanisms that will allow it to continuously monitor the performance of the Regulations, including regular consultation with industry. ESV proposes to use data on incidents, injuries and fatalities to continue to assess the effectiveness of the Regulations, including comparisons of Victoria's performance with that of other jurisdictions. ESV states that if required, it would propose adjustments to the regulations immediately, rather than wait for a mid-term review.

Should you wish to discuss any issues raised in this letter, please do not hesitate to contact my office on (03) 9092 5800.

Yours sincerely



Anna Cronin

**Commissioner for Better Regulation
Regulation**