20 November 2015

Ms Kylie White
Deputy Secretary
Department of Economic Development, Jobs, Transport and Resources
Level 9/121 Exhibition Street
MELBOURNE VIC 3000

Dear Ms White

I would like to thank the staff of the Department of Economic Development, Jobs, Transport and Resources for working with my team on the preparation of the Regulatory Impact Statement (RIS) for the proposed *Electricity Safety (Bushfire Mitigation) Further Amendment Regulations*.

The proposed regulations will implement the recommendations of the Powerline Bushfire Safety Taskforce by requiring distributors to:

* install additional rapid earth fault current limiters (REFCLs) at points in the network where the impact of a bushfire would be relatively high within seven years
* move underground or insulate power lines when replacing them in areas where the impact of a bushfire would be relatively high
* install additional automatic circuit reclosers (ACRs) on single wire earth return power lines in all areas within five years.

As you know, the Commissioner for Better Regulation is required to provide independent advice on the adequacy of analysis presented in all Regulatory Impact Statements in Victoria, under section 10 of the *Subordinate Legislation Act 1994*. It is important to emphasise that the Commissioner’s role is not to provide a view on the merits of any policy or regulatory change as such, but to advise specifically on the adequacy or otherwise of a RIS. To be adequate, a RIS must be logical, draw on relevant evidence, be transparent about any assumptions made, and be proportionate to the proposal’s expected effects. It also needs to be suitable as a basis for public consultation.

I am pleased to advise you that the final version of the RIS that I received on 17 November 2015 meets the adequacy requirements of the Act.

In providing this advice, we note the following points regarding the analysis in the RIS:

* The analysis draws on complex modelling commissioned by the Department to estimate the costs of installing new technology and moving underground or insulating power lines, and the effectiveness of these measures in reducing the risk of bushfires.
* The Department highlights the different views of parties already consulted regarding the benefits and costs of installing additional REFCLs. Specifically, distributors’ concerns that installing additional REFCLs may disrupt energy supply for some consumers are explained in the RIS. The Department states that, in its view, the benefits in reduced bushfire risk and broader improvement in reliability of supply exceed the construction and maintenance cost and potential losses due to supply disruptions for some consumers.
* The RIS also shows that, based on historical data, installing ACRs in areas where the impact of bushfires would be relatively low may impose net costs on the community. The Department considers that it is likely that the risks associated with bushfires are likely to increase in the future, as identified by the Victorian Bushfires Royal Commission. On this basis, the Department considers that requiring ACRs to be installed in all areas is likely to be worthwhile.

In addition to proposing potential improvements to address specific bushfire risks, the Department’s analysis highlights other opportunities to improve the broader energy regulatory framework in Victoria. For example, the RIS considers the interaction between the service incentive scheme (S-factor) and bushfire risk, and notes that the Government is currently reviewing the fire incentive (F-factor) scheme. This suggests that there would be merit in undertaking a more comprehensive review of the current regulatory framework for electricity to ensure that the numerous changes adopted in Victoria to reduce bushfire risk and the measures in place to protect energy supply are effective and efficient.

As you know, it is government policy that this letter be published when the RIS is released for public consultation.

Given the significant benefits (from reduced bushfire risk) and costs (which will likely be reflected in electricity prices) of the proposed regulations, this consultation will be particularly helpful as the Department finalises these regulations. New options or information identified through this process may influence your analysis and recommendations.

Should you wish to discuss any such changes with us, please do not hesitate to contact me on (03) 9092 5800.

Yours sincerely

Anna Cronin

Commissioner for Better Regulation