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Dear Ms Staggs

Accredited Service Provider Scheme Review

Local Government NSW (LGNSW) is the peak body for local government in NSW, representing NSW general purpose councils and related entities. LGNSW facilitates the development of an effective community-based system of local government in the State.

LGNSW welcomes the opportunity to comment on the Accredited Service Provider Scheme Review: Issues Paper. LGNSW provides general comment on the overall Scheme but focuses on vegetation management in particular. Many aspects of the management of vegetation in proximity to electricity distribution assets have been contentious over many years.

General

LGNSW understands that the purpose of this Review is to examine the continued need for and arrangements to deliver contestable electricity connection services as regulated through the Accredited Service Provider Scheme (ASPS).

LGNSW is supportive of the ASPS. It is essential for government to intervene in monopoly markets. Left unregulated, monopoly markets are typified by price exploitation, inefficiency, poor service standards and a lack of innovation. The Distributor Network Server Provider (DNSP) markets are natural monopolies as the electricity distribution assets are fixed and uneconomic to duplicate.

Market intervention can take various forms such as price controls and mandated service standards. However, market-based interventions such as the ASPS which introduces contestability, are generally preferable where they are a practical alternative, either alone or in conjunction with other interventions. Market based interventions are likely to be less bureaucratic and more efficient where effectively applied.

The ASPS accredits organisations to perform contestable work on the NSW electricity distribution network, giving consumers who need to connect to the network access to a competent and competitive market of service providers.

The ASPS should be maintained and extended to include vegetation management across all DNSPs. As one council has commented:

By and large the scheme delivers on its objectives. Refining and strengthening the scheme is better than dismantling it. By listening to advice from industry and participants and making incremental improvements is the best way to proceed.

ASPs & Vegetation Management

Councils are disappointed that vegetation management has not yet been mandated for inclusion in the long running ASPS. The ASPS was introduced in 1995 and now applies to a wide range of works other than vegetation management. So far, inclusion of vegetation management has been limited to two recent trials by Ausgrid. Councils would like to see it introduced on a comprehensive and permanent basis across all DNSPs.

Councils report a high level of dissatisfaction with current arrangements. Common complaints include:

- High costs.
- Lengthy delays in processing works preventing councils from maintaining service standards (timeframe for works to be completed range anywhere from 6-12 months).
- Large backlog of works.
- Poor response times for priority/ urgent/ and emergency tree works resulting in increased risk to people and property and council liability.
- High levels of resident and ratepayer complaints about Service Standards for tree works within the No Go Zone (NGZ).
- Resident/ratepayer confusion about process and responsibilities.
- Large and cumbersome administrative burdens.
- Poor reporting of completed works from contractors to DNSPs and back to councils.

Sutherland Shire Council (SSC) has had the benefit of taking part in the ASPS trials and reports major improvements in service:

- Council can directly engage ASP Accredited and Ausgrid Authorised contractors.
- Service standards greatly improved.
- Immediate response to Priority/ Urgent/ and Emergency tree works.
- Future Council Tenders can ensure ASP providers are considered.
- ASP contractor completes entirety of tree works including stump grinding (not previously included).
- Direct reporting and liaison with contractors - no third parties.
- A significant reduction in administrative burden and red tape.
- Removes resident/ratepayer confusion about the process of tree works within the NGZ and respective responsibilities of councils and DNSPs.
- A large reduction in complaints about service timeframes and increase in positive feedback on around experience of works being completed.
- Councils risk profile for trees is dramatically reduced as hazardous trees are more quickly addressed in the public space.

- Potential cost savings if fully introduced. So far costs have been on par with current process due to only one contractor having been authorised to date by Ausgrid. However, it is anticipated this will change as more competition enters this trial.

SCC supports the ASPS being permanently in place for contestable works on vegetation around electrical services. The performance improvements reported by SCC and the identified potential for further improvement provide an unequivocal case for adoption across the board.

Conclusion

LGNSW recognises that there have been changes since the last review in 2010, most notably the Australian Energy Regulator (AER) introducing rules for ringfencing operations of DNSPs such that connection services can only be delivered by an entity separate from the DNSP, and that the DNSP must treat all suppliers equally. LGNSW also notes that there has also been a maturing of the market for electricity distribution network services with the value of contestable works having grown from around \$300 million in 2010 to an estimated \$1 billion now.

Despite these changes, it is apparent that the ASPS is still required. For example, the AER rules have not generated a contestable market for vegetation management. Further, it is not evident that the AER reforms would have led to the ongoing development of contestable markets for other works by themselves. Councils advise that there is still a need for service improvement for all works across the DNSP sector and a strong, activist ASPS is a key to ongoing improvement.

LGNSW does not have a view on the whether the ASPS should stay within the remit of DPIE or become a responsibility of another agency (e.g. Treasury or Better Regulation) given changes to the machinery of government over the past decade.

In summary, councils support:

- retention and strengthening of the ASPS
- extension of the ASPS to include vegetation management across all DNSPs.

If you have any queries in relation to this submission, please contact Shaun McBride, Chief Economist on 9242 4072 or email shaun.mcbride@lgnsw.org.au.

Yours sincerely



Scott Phillips
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