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BY POST & EMAIL

Dear Sir/Madam

Review of Minimum Service Standards and Guaranteed Service Levels to Apply in Queensland from 1 July 2010 – Discussion Paper.

The Urban Development Institute of Australia (Queensland) (UDIA) appreciates the opportunity to provide comment on the Review of Minimum Service Standards (MSS) and Guaranteed Service Levels (GSL) to apply in Queensland from 1 July 2010 – Discussion Paper.

During the process of consulting UDIA members to prepare this submission it became apparent that there were a number of issues around the interaction of the development industry with Energex and Ergon and particularly Ergon that were of concern to members. Developers interact with these distribution entities to seek to connect to and extend the network and in some instances are able to employ their own contractors to undertake electrical design and construction work under the distribution entity's supervision. Concerns have been raised regarding inordinate delays and costs to the completion of development projects as a consequence of difficulties and restrictions in dealing with distribution entity processes. The UDIA envisions that the present review is an appropriate opportunity to seek a substantial review of the MSSs and GSLs to address industry concerns and include additional GSLs. These actions are considered necessary as a number of areas of industry work are wholly controlled by the distribution entities and developers are at their behest for efficient and fair treatment.

In general, the UDIA seeks that as far as possible all work which is funded by developers and other parties be contestable. The industry experience is that where it is working well the use of contractors as an alternative to the distribution entities for the design and delivery of network extensions provides a critical additional resource to meet development demand in a timely and cost effective manner. The UDIA is aware that there are significant restrictions to the areas available to developers to engage their own accredited consultants and contractors to perform electrical work. Areas such as extension of the network at a customer's request not associated with a subdivision, relocation of assets for road-widening, and replacement of overhead lines with underground are restricted from contestability by both Energex and Ergon. In addition in regard to in Ergon's service area restrictions also extend to rural subdivisions, commercial & industrial subdivisions, subdivisions with overhead reticulation, street lighting & works external to subdivision, street lighting not associated with a subdivision and electrical installations on public land. UDIA would like to see developers, as the funder of these works able to engage their own designers and contractors should they wish for all of these projects.

Members have raised concerns regarding excessive delays in dealing with Ergon where contestable work is being undertaken. These have occurred in:

- providing a Network Extension Agreement (NEA) which defines head-works costs, non-contestable fees, transformer equalization and design parameters. At present it can take between two and ten weeks to receive an NEA and this directly delays the commencement of the design;
- auditing of the designs and constructed works that are in the critical path for the delivery of contestable works. At present audit times vary from as little as one week to as long as ten weeks; and

- accepting of the constructed works prior to commissioning and connecting varies from four weeks to twelve weeks. The aggregate unnecessary delays from Ergon at present vary from seven weeks to 32 weeks in the worst case.

Also in regard to Ergon concern has been raised regarding:

- costly performance bonds which may now be up to twice the cost that they were previously;
- excessive retention amounts and retention periods despite in our understanding that there have been very few actual claims and the existing protections provided by contractual and statutory rights and obligations of developers, contractors and Ergon;
- uncertainty regarding who is ultimately responsible to ensure conduit and cable are accurately placed; and
- the present lack of transparency and detail provided with any quote for works which does not enable the quotes to be verified as reasonable value.

It is also a major proposition of the UDIA that the extension to the network should not be provided largely at the developers cost rather that distribution entities should pay for to the cost of subdivision or other extensions and alterations. This is considered most important given the long history of distribution entities purchasing developer constructed assets; that the distribution entities are being provided with revenue-producing equipment; and in order to minimise cost impacts on housing affordability for new home buyers. We specifically request that Queensland Competition Authority in its deliberations and documents provide improved direction on the proportion of cost to be borne by developers and the distribution entities.

The UDIA is also concerned regarding issues that have been reported to us regarding fairness in the accreditation of contractors to undertake work with some excluded despite otherwise consistent performance; inadequate coordination of new connections between the distribution entities and new retailers and inconsistent or unclear technical standards between distribution entities.

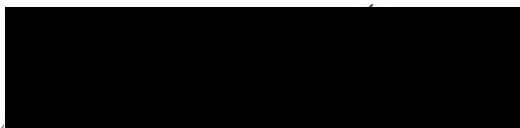
An additional issue the review may consider is requiring the distribution entities to advise the state government and others of the achievement of or removal of electricity connections. An accurate measure of the number of dwellings completed in Queensland (possible with counting of connections) is an important tool to monitor and address dwelling supply and hence housing affordability. Notification of connections has been a timely dwelling supply indicator where it is in place in other states.

In general while we have been critical of aspects of present distribution entities operations and Ergon in particular, to be fair the industry is generally appreciative of the very large task and role undertaken by the distribution entities. Although it is recognized that a State as diverse and as large as Queensland has specific difficulties and constraints and Ergon is a relative new comer to contestable services a greater sense of urgency and priority from Ergon coupled with substantially greater regulator oversight and clarification of ground rules is considered warranted.

Thank you for the opportunity to comment.

Yours sincerely

Urban Development Institute of Australia (Queensland)



Brian Stewart

Chief Executive and General Counsel