Department of Consumer
And Employment Protection
Government of Western Australia

Energy*Safety*

ENERGY*SAFETY* DIVISION
BUSINESS PLAN 2007/08

29 December 2006

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FOREWORD

This document sets out the Business Plan 2007/08 for the Energy Safety Division (known as "Energy*Safety*") of the Department of Consumer & Employment Protection (DOCEP).

Energy*Safety* is Western Australia's technical and safety regulator for the electricity industry and most of the gas industry. Its principal functions can be summarised as:

- administering electricity and gas technical and safety legislation and providing policy and legislative advice to the Minister and Government;
- setting and enforcing minimum safety standards for electricity and gas networks;
- enforcing natural gas and LP gas quality standards;
- providing technical advice and support to the Economic Regulation Authority (ERA) and the Energy Ombudsman;
- at the request of the ERA or Energy Ombudsman, investigating the performance of network operators, particularly in respect of energy supply reliability and quality;
- setting and enforcing minimum safety standards for consumers' electrical and gas installations;
- setting and enforcing safety and energy efficiency standards for consumers' electrical and gas appliances;
- licensing electrical contractors, electrical workers and gas fitters and carrying out accident investigations;
- promoting electricity and gas safety in industry and the community; and
- managing liquid fuel shortages, providing advice to the Minister for Energy on electricity and gas supply system emergencies, and promoting energy infrastructure security and resilience.

Energy*Safety* derives most of its statutory functions through the statutory functions of the Director of Energy Safety, an independent statutory office (established 1 January 1995) that is held by the head of Energy*Safety*. Since its inception in 1995 as part of the first major restructuring of the State's energy utilities, Energy*Safety* has had a busy corporate life and has seen its functions considerably expanded to include *inter alia* electricity and gas network regulation, energy efficiency regulation and various aspects of emergency management and critical energy infrastructure protection.

As part of these changes, Energy*Safety* became fully industry funded from 2006-07 following the passing of legislation and the subsequent publishing in the *Government Gazette* of the *Energy Safety Levy Notice 2006* as approved by the Minister during June 2006. The Government had decided to proceed with this significant policy initiative (which mirrors what other major jurisdictions have already done) and thus 2006/07 was the first financial year under which Energy*Safety* was fully industry funded.

This means that the cost of Energy*Safety*'s activities is now fully met by those who benefit from them, through the combination of licensing revenue and industry levy revenue. The legislation provides for the levy to be subject to review by Parliament.

This Business Plan is a key part of the process for the yearly industry funding of Energy*Safety* as required by the legislation, since it sets out the following for Energy-*Safety*, for 2007/08:

- A statement of intent;
- The business environment and challenges, including major projects;
- The financial plan; and
- Details of the proposed 2007-08 energy industry levy.

Once the Business Plan has been approved by the Minister, it will (in accordance with the legislation) form the basis for the Minister's determination on the overall fixed amount to be levied on energy industry participants, and the manner in which it is to be allocated between participants, for the 2007/08 year.

Albert Koenig
DIRECTOR OF ENERGY SAFETY and
EXECUTIVE DIRECTOR, ENERGY*SAFETY*

December 2006

STATEMENT OF INTENT

1.0 Introduction

Energy*Safety* is the statutory technical and safety regulator for Western Australia's electrical industry and most of the gas industry. This Statement of Intent is part of the Business Plan 2007/08 required by the *Energy Safety Act 2006* setting out the requirements for the administration of the energy industry levy that, in combination with the revenues from electrical contractor, electrical worker and gas fitter licensing, provides Energy*Safety* with all its capital and operating expenditure for 2007/08.

1.1 Departmental Objectives

The Department of Consumer and Employment Protection (DOCEP), of which Energy*Safety* is a Division, has the following overall objectives:

Vision Statement

The Corporate Vision of DOCEP is for:

"A fair, safe and prosperous community".

Mission Statement

DOCEP's Mission is:

To create an employment and trading environment that provides for the growth, safety and protection of the community by:

- *Enhancing capacity*
- *Enhancing an effective regulatory environment; and*
- *Enforcing the law.*

Strategic Directions

The five Directions featured in DOCEP's *Future Directions* document are:

1. Influencing and shaping our community's environment.
2. Enhancing the capability of the community.
3. Enhancing the regulatory environment.
4. Enforcing the law.
5. Strengthening DOCEP as an organisation.

Energy*Safety*, as part of DOCEP, both contributed to and embraced these strategic corporate directions for its own area of business.

Following commencement on 1 January 1995 as the Technical & Safety Division of the then Office of Energy and subsequent public sector restructuring in mid 2002,

Energy*Safety* became a Division of DOCEP, which has four other key regulatory functions, each also represented by a separate Division that operates relatively independently: Labour Relations, Consumer Protection, Resources Safety and WorkSafe.

This "all regulatory" nature of the department provides a positive corporate environment for Energy*Safety* as the State's energy industry technical and safety regulator.

2.0 EnergySafety's Objectives

Energy*Safety* is the State's technical and safety regulator for all the electrical industry and most of the gas industry[1], through the functions of the Director of Energy Safety.

The Director of Energy Safety ("Director") is a statutory office established under section 5 of the *Energy Coordination Act 1994*. The Director is an independent regulator subject only to direction by the responsible Minister, who in accordance with the Act is required to table in Parliament any direction given to the Director.

Energy*Safety*, through the role of the Director of Energy Safety, has a wide suite of statutory functions. In summary, on the basis of those functions, Energy*Safety* seeks to ensure:

- the safety of people (the public, energy workers and consumers) and property in respect of electricity and gas utility infrastructure;
- that residential and business consumers receive electricity and gas supplies that are metered accurately and meet minimum standards of quality so that appliances function safely;
- that consumers have safe electrical and gas installations at their premises;
- that electrical and gas appliances purchased or hired are safe to use;
- that common household appliances and certain types of electrical equipment perform and are labelled to satisfy energy efficiency standards; and
- the safety of persons working on electricity and gas supply networks and consumers' installations.

Energy *Safety* is also an active participant in the State's emergency management framework, with particular responsibilities for:

- managing liquid fuel shortages;
- advising on gas supply system emergencies;
- promoting energy industry infrastructure security and resilience; and
- representing lifeline organisations (e.g. water, electricity, gas, telecommunications, and main roads organisations) at State Emergency Management Committee level.

[1] Safety regulation of the high pressure (>1.9Mpa) gas transmission system and upstream gas production is the responsibility of the Resources Safety Division of DOCEP.

Energy*Safety* also provides technical advice and support to the Economic Regulation Authority (ERA) and the Energy Ombudsman in relation to a variety of energy industry issues, and at the request of the ERA or Energy Ombudsman, investigates the performance of network operators, particularly in respect of energy supply reliability and quality and related complaints.

In addition to the above functions, Energy*Safety* performs a considerable amount of policy development work related to energy industry technical and safety issues, some of which takes place through national technical standards forums and regulatory coordination forums. *EnergySafety* also has the key function to provide advice to the responsible Minister generally, and this includes proposals for the improvement of energy industry legislation and statutory requirements in a technical and safety regulatory context.

One of the functions closely associated with the safety of consumers' installations and the safety of workers carrying out work on consumers' installations is the licensing of workers and contractors who meet defined competency requirements. Energy*Safety* carries out this licensing for electrical contractors, electrical workers and gas fitters.

In respect of electrical workers and contractors, the statutory Electrical Licensing Board (which includes industry members who are appointed by the Minister) oversees this function and also deals with minor disciplinary actions, whilst recommending to the Director which more serious cases warrant referral to the State Administrative Tribunal for possible licence cancellation or suspension. The internal Gas Licensing Committee makes similar recommendations on gas disciplinary proceedings.

In broad terms, there is no specific intention during the period ahead to vary the manner in which Energy*Safety* has approached its work to date. Inevitably, the substantial amount of policy work and operational work to be done will require decisions to be made about priorities and the extent to which some activities, including compliance enforcement, are undertaken. These decisions will be greatly affected by the resources available.

2.1 The road ahead for EnergySafety

Energy*Safety's* functions have undergone significant expansion since its creation on 1 January 1995 to include major additional responsibilities such as gas network regulation (2000) and electricity network regulation (2001), equipment energy efficiency regulation (2000 and later) and various aspects of emergency management including promoting improvements to critical energy infrastructure protection and resilience (from 1996 onwards).

During recent years the State's level of economic activity has continued to expand and this has naturally generated increased work for industry and thus also for Energy*Safety*, additional to that already experienced through the expansion of the regulatory framework. Currently Energy*Safety* is finding it particularly difficult to cope with demands on its Licensing Office as the very high level of industry activity presently in the State has resulted in a sustained influx of electrical and gas operatives seeking local work.

During the industry consultation of 2005/06 dealing with the then industry funding proposals, industry clearly indicated its support for Energy*Safety*'s functions and work. Now that full industry funding is in place, the major challenge for Energy*Safety* in the

period ahead is to deliver meaningful outcomes. This requires an appropriate balance between staff resource capacity and expertise and government, industry and community needs and expectations.

There is certainly no shortage of issues for Energy*Safety* to address or respond to as a regulator, both in respect of major new policy initiatives and operational matters.

For example, the following *significant policy projects* are expected to be completed during the next two years. Aside from the work required to complete them, once finalised these projects will also require ongoing additional administration and enforcement effort, since they expand the regulatory framework:

- To further reduce the incidence of serious electrical accidents amongst electricians, a completely new Part IX to the *Electricity Regulations 1947* is proposed, so as to set out minimum standards for safe electrical work practices by electricians, particularly when proposing to work on or near live parts of a consumer's installation.
- To make major improvements to the energy efficiency of gas appliances and equipment, it is planned (as part of national changes) to regulate gas use efficiency through major changes to the *Gas Standards Act 1972* and related regulations.
- The entry of additional gas suppliers' gases into the Perth gas distribution system has resulted in a need to protect consumers in regard to how the heating value of commingled gases is determined for consumer billing purposes, and this requires a new scheme and new regulations under the *Gas Standards Act 1972.*
- There is a need to replace the simplistic and no longer deemed relevant provisions of section 54 of the *Energy Operators (Powers) Act 1979* (which deals with the control of vegetation near power lines) with a new regulatory regime under the *Electricity Act 1945* that provides a more balanced approach to responsibilities for ensuring that vegetation is kept safely clear of power lines by land occupiers and electricity network operators.
- It is evident, following experience gained, particularly through electricity network safety performance shortcomings (clashing conductors, pole top fires, unsafe service cables etc), that the larger electricity and gas networks should be operating under a "safety case" (or "safety and technical management plan") framework rather than simply be required to comply with existing regulations. It is therefore intended to change the existing regulations under the *Electricity Act 1945* and the *Gas Standards Act 1972* to provide for the mandatory application of such safety cases for the larger energy networks.
- There is a need to review Australia's regulatory regime for the safety of electrical equipment and appliances. Energy*Safety* will be participating with other regulators in a national review designed to ensure the regimes operated by each jurisdiction are as harmonised as possible and capable of dealing with the challenges offered through global manufacturing, given the volume of product now being imported. The outcomes of the review will be presented to a Ministerial Council for endorsement.
- The COAG Working Group on licensing regimes has actively involved the regulators in identifying means to improve mutual recognition arrangements so as to facilitate the easier movement of workers such as electricians. As a follow-on to this work ERAC (the Electrical Regulatory Authorities Council, which is a national committee of jurisdictional regulators such as Energy*Safety*), has agreed

to review the existing policy framework for the issuing and use of restricted electrical licences with a view to achieving a much higher level of uniformity between jurisdictions. Energy*Safety* is expected to make a significant contribution to this review, the outcomes of which are planned to be provided to a Ministerial Council for endorsement.

- It is expected that during 2007 the Legislative Council will pass the *Gas and Electricity Safety Legislation Amendment Bill 2006* which will provide Energy*Safety* with substantially improved powers to enforce regulatory requirements, especially in respect of electricity and gas networks. The full implementation of these provisions will however require a number of important new regulations and regulation amendments to be drafted.

As can be seen, there is a significant amount of major project policy work to be carried out, in addition to the more day-to-day policy work including advice to Ministers, participating on Standards Australia committees in relation to key technical standards, preparing and issuing guideline information to industry and the community, and general safety promotion.

Further to the above, there is a large, continuing amount of *operational work* associated with administering the existing regulatory framework.

Much of the operational work is relatively routine, involving dealing with reports and complaints, carrying out investigations and, as appropriate, making decisions on whether or not to prosecute a person or business, or whether to recommend disciplinary action.

Some operational work can however be of a major project nature. For example, in late 2006 Energy*Safety* completed a compliance audit of Western Power's wood pole management systems. Significant issues were identified for further action and/or follow-up and this work will take some considerable ongoing effort by *EnergySafety*, if all the potential benefits of the audit are to be achieved.

Similarly, the introduction of a new edition of the national "Wiring Rules" AS/NZS 3000 during mid-late 2007 will require Energy*Safety* to devote considerable time to briefing its designated inspectors and industry around the State on the substantial changes that are part of this new edition.

In addition, it is important that Energy*Safety* conducts programmed (but random) compliance audits on a sample of industry operatives including –

- electrical contractors;
- gas fitter contractors including authorisation holders; and
- airconditioning and refrigeration contractors (working under restricted electrical licences).

Also, a sample of retail premises selling electrical and gas products needs to be audited to check compliance with –

- electrical safety approval requirements;
- gas safety approval requirements;
- energy efficiency labelling requirements; and
- minimum energy performance standards (MEPS).

The latter minimum energy performance requirements also place obligations on industry such as in regard to distribution transformers, motors and airconditioning plant, demanding a separate auditing approach on other parts of industry.

Additionally, the performance of the various utilities' Installation Inspectors must also be monitored. These Inspectors are authorised ("designated") by Energy*Safety* and perform the valuable function of checking the compliance of consumers' electrical and gas installations after work by industry operatives, reporting non-compliances to Energy*Safety* for possible follow-up action. They are obliged, in accordance with the terms of their designation, to comply with a Code of Conduct. Random spot audits therefore need to be carried out from time to time to ensure that all are faithfully reporting defects as required by the statutory obligations that require the energy utilities to carry out such installation inspection work.

The key to Energy*Safety* delivering on government, industry and community expectations is its *workforce* and *funding*.

EnergySafety, as a regulator, needs to have staff who understand the various business and technical areas of the electrical or gas industries and who can expertly evaluate and negotiate safety and performance issues with their industry counterparts. This requires a competent grasp of industry-specialist technical practices (including safe field work practices), the energy legislation and OSH obligations, industrial relations implications and economic impacts. Some of these staff (particularly the Engineers) also need to be strong in policy development work.

Staff of this kind are difficult to recruit and retain, especially whilst WA's economy is so strong. The Government's directive to relocate Energy*Safety*'s offices from West Leederville to Cannington in mid 2006 has also made retention and recruiting difficult.

However, it is important that Energy*Safety* does succeed in this area, as such staff are critical to the success of Energy*Safety* in respect of the services it provides to industry and the community – and also to public sector organisations such as the ERA and Ombudsman.

The key factors to achieving this are –

a) adequate funding under the full industry funding model, sufficient to cover all capital, overheads, operational requirements and recurring costs, including reasonably competitive salaries; and

b) approval from the Government for Energy*Safety* to offer employment packages to its technical staff (including Inspectors) that are considerably more competitive in the context of today's industry environment than at present, as the professional functioning of the office with its current substantial vacancy rate is not sustainable.

It is anticipated that the approval necessary for the proposed "Attraction and Retention Benefit" (ARB) arrangement for technical staff referred to in (b) above will be forthcoming during the second half of 2006-07, and hence the funding requirements for 2007-08 as outlined in the later parts of this Business Plan have been dimensioned accordingly.

3.0 The nature and scope of EnergySafety's activities

3.1 Legislation administered

As the State's technical and safety regulator for all electrical and most gas infrastructure, installations and activities, the Director of Energy Safety with support of the staff administers the following legislation:

- *Energy Safety Act 2006*
- *Energy Safety Levy Act 2006*

- *Energy Coordination Act 1994* (major parts)
- *Energy Coordination (Designation of Inspectors) Regulations 1995*

- *Electricity Act 1945* (most parts)
- *Electricity (Licensing) Regulations 1991*
- *Electricity Regulations 1947*
- *Electricity (Supply Standards and System Safety) Regulations 2001*

- *Gas Standards Act 1972*
- *Gas Standards (Gasfitting and Consumer Gas Installations) Regulations 1999*
- *Gas Standards (Gas Supply and System Safety) Regulations 2000*

Additionally, the *Fuel, Energy and Power Resources Act 1972* is available to manage liquid fuel emergencies, as this Act allows the Minister to impose fuel rationing subject to certain conditions being met.

3.2 Specific Activities

The legislation provides for Energy*Safety* to:

- Ensure the safety of consumers' electrical installations and appliances, by:
  - licensing electrical workers and electrical contractors (through the functions of the associated Electrical Licensing Board) and enforcing prescribed technical standards for electrical installing work;
  - requiring electricity network operators to conduct consumer installation safety inspections in accordance with prescribed requirements and auditing this work to ensure compliance;
  - conducting safety inspections of consumers' electrical installations that are not connected to utility networks; and

  - auditing electrical appliances and equipment being offered for sale, to check compliance with prescribed safety and energy efficiency requirements (such as the star rating labelling scheme and MEPS).

- Ensure the safety of consumers' gas installations and appliances (including industrial gas appliances), by:
  - licensing gas fitters and enforcing prescribed technical standards for gasfitting work;
  - requiring gas network operators, gas pipeline licensees and LPG cylinder distributors to conduct consumer installation safety inspections in accordance with prescribed requirements and auditing this work to ensure compliance;
  - overseeing the work of external inspectors approving industrial gas appliances;
  - conducting safety inspections of consumers' gas installations that are not connected to utility networks or are not supplied with LPG directly from a gas distributor; and
  - auditing gas appliances and equipment being offered for sale, to check compliance with prescribed safety and efficiency requirements.

- Ensure the safety and acceptable performance of electricity transmission and distribution infrastructure by:
  - auditing electricity network operators' design standards and constructed networks for compliance with prescribed safety requirements;
  - monitoring the safe work practices of network operators' employees and contractors, including attendance to incidents;
  - investigating unsatisfied consumers' complaints about unacceptable electricity supply reliability and quality, when referred by the ERA or Ombudsman; and
  - auditing network operators' compliance with their approved meter management plans, to ensure acceptable meter accuracy.

- Ensure the safety and acceptable performance of gas distribution infrastructure by:
  - auditing gas network operators' design standards and constructed networks for compliance with prescribed safety requirements;
  - monitoring the safe work practices of network operators' employees and contractors, including attendance to incidents;
  - monitoring the quality of gas provided to consumers generally, for compliance with prescribed requirements;
  - investigating unsatisfied consumers' complaints about gas supply reliability and quality; and
  - auditing network operators' compliance with prescribed meter management requirements, to ensure acceptable meter accuracy.

- Appoint and oversee all inspectors in the State (including those of network operators).

- Ensure the safety of electrical and gas workers by enforcing prescribed safety requirements and providing guidance in respect of safe work practices.

- Issue exemptions or variations to certain regulatory requirements (electrical and gas).

- Investigate electrical and gas safety incidents (although incidents associated with electricity or gas utilities' supply systems, or their customers, are usually inspected first by the utilities' inspectors).

- Enforce statutory requirements through advice, warnings, prosecutions and, in the case of licence holders, also through disciplinary action.

- Respond to consumer concerns generally regarding electrical and gas technical and safety matters.

Furthermore Energy Safety:

- provides wide-ranging energy related policy advice and support to the Minister, Government and DOCEP's Director General;

- promotes electricity and gas safety to both the public and industry operatives;

- participates in the State's emergency management framework through membership of the State Emergency Management Committee and chairing of the Lifeline Services Group;

- advises the Minister on the use of statutory energy supply system emergency management powers; and

- maintains emergency plans for liquid fuel shortages (petrol rationing etc) on the basis that emergency rationing can be actioned via legislative powers if required.

4.0 Performance Targets

The following performance indicators provide an overview of the type and volume of Energy*Safety*'s regulatory work, as well as the influence of this work on safety outcomes.

MEASURES	05/06 Actual[2]	06/07 Target	07/08 and beyond Target
GAS			
Gas related deaths	0	0	0
Gas related accidents[3]	16	15	14
Gas installations inspected and found non-compliant (includes matters not directly affecting safety)	21%	18%	15%
No. of Energy*Safety* audits of gas suppliers' Inspection Plans	1	2	2
No. of Type B appliance variations assessed	56	50	45
Investigations under Acts and Regulations	203	200	200
Presentations to Industry or other Groups	17	10	10

MEASURES	05/06 Actual[2]	06/07 Target	07/08 and beyond Target
ELECTRICITY			
Electricity related deaths	3	3	3
Electricity related accidents[3]	31	30	25
Electrical installations inspected and found non-compliant (includes matters not directly affecting safety)	8.3%	7.5%	7.0%
No. of Energy*Safety* audits of electricity suppliers' Inspection Plans	1	2	2
Investigations under Acts and Regulations	762	700	650
Presentations to Industry or other Groups	4	10	10

[2] As amended, based on data review in December 2006

[3] Accidents are defined as serious safety incidents where a person has received some type of medical treatment (including assessment tests) from a health professional.

5.0 Type of information and advice to be provided to the Minister

Energy*Safety* currently provides advice and support to the Minister for Energy, as the legislation administered is part of the portfolio of the Minister for Energy, but also provides advice and support to the Minister for Consumer & Employment Protection, since the department (DOCEP) to which Energy*Safety* belongs is responsible to this Minister.

In practical terms, this means that presently Energy*Safety* reports to the Minister for Energy on statutory matters, and reports to the Minister for Consumer & Employment Protection (via the Director General of DOCEP, as appropriate) on resource related and administrative matters. The references in this Business Plan to "responsible Minister" or "Minister" are in that context.

This arrangement is expected to be reviewed and simplified during late 2006 or early 2007.

Interaction between the Ministers' offices and Energy*Safety* normally takes place via the Director of Energy Safety. However Energy*Safety*'s Director Gas & Emergency Management, Director Business Services and Director Electricity are available to liaise directly if required.

The type of advice and information provided to Ministers by Energy*Safety* includes the following:

- Proposals for major policy projects such as new legislation, or amendments.
- Advice on the status and management of major policy projects, such as proposals for legislation.
- Advice on proposed regulatory actions that may have some significant impact on the public, or on a corporation.
- Advice on information releases that deal with subjects relevant to the Ministerial portfolio area.
- Advice on the status of major investigations or audits that have received media publicity.
- Advice for dealing with industry enquiries (verbal or written) to the Ministers' offices, if requested to do so by the relevant Minister or his/her staff. This may involve correspondence and/or meetings.
- Advice on resource requirements and work programs.
- Advice on emergency management issues (liquid fuels and gas supply system shortages).
- Advice on nationally significant energy issues (e.g. flue-less gas space heaters, International Energy Agency matters, etc).

BUSINESS ENVIRONMENT AND CHALLENGES

6.0 Introduction

This part of the Business Plan provides an overview of the energy industry environment that exists within Western Australia today and highlights the demands on Energy*Safety's* technical and safety regulatory functions that the changes of recent years have created.

EnergySafety has established itself as an organisation that is prepared to "do the hard yards" with modest resources, without fear or favour, so as to protect the community and people working in the energy sector.

It is shown that, although Energy*Safety* is now a mature regulator working smarter each year in order to produce more with less, if Energy*Safety* is to cope with its current work-load and further additions, then additional resources are needed, both for labour and other expenditure.

The issue of the additional resources needed is summarised in section 6.4.

6.1 WA's energy industry environment

WA's energy industry has now completed its final major restructuring, with the disaggregation of Western Power into separate generation, networks, retail and integrated regional businesses on 1 April 2006.

The gas industry was substantially restructured in 2000 with the sale of AlintaGas and this commenced the progressive opening of the market to full retail competition. It is well known that the highly competitive gas supply market that has emerged from these changes is very favourably viewed by industry, especially in the resources sector.

The electricity supply industry has had a much slower reformation but it is clear that many positive changes should take place in the immediate years ahead. For example, the South West Interconnected System (SWIS) networks business of the previous Western Power (which is the entity that retains this name) can now use its revenue for reinvestment and maintenance as would any independent business, contrary to the situation when the networks business was part of a vertically integrated utility. This is a positive change, but of course it will take a number of years for the shortcomings of the last 10 years (evidenced by the Mt Barker and later Tenterden fires from clashing conductors and the ongoing, widespread supply interruptions and safety problems from pole-top fires) to be dealt with by the new Western Power.

The same is expected of Horizon Power, a successor to the old Western Power, generating and supplying electricity at many remote towns of the State including Esperance and parts of the Pilbara.

There are several other Pilbara and Goldfields based electricity network operators and other smaller entities. However, experience has shown that these networks are generally maintained in a manner consistent with the resources sector's standards that seek to minimise safety problems and 'downtime'.

Therefore, looking ahead to the next five years and the networks of the major players during this period, it is likely that existing shortcomings with Western Power's SWIS electricity supply network will require major attention, as will the networks of Horizon Power. On the other hand, the younger nature and generally better state of the gas distribution networks operated by Alinta and others should mean they require comparatively less regulatory attention from a safety and performance perspective.

These matters are now also the subject of attention from the Economic Regulation Authority (ERA) which through its gas and electricity network licensing regime will monitor the safety and performance of network assets, in addition to approving network access rules and transport charges. The Energy Ombudsman now deals with consumer complaints. As Energy*Safety* provides technical support to these organisations, it is expected that there will be increased communication and cooperation between the two regulators and Energy*Safety*.

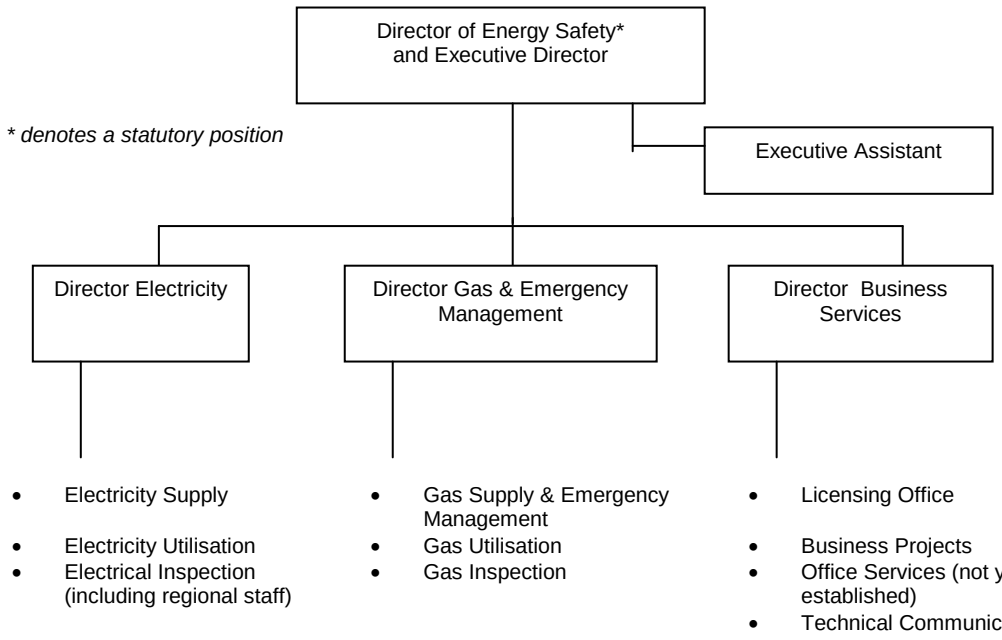
In the electrical contracting and gasfitting areas it is largely a case of continuing with current regulatory initiatives which appear to be working well:

- For example, the incidence of serious electrical defects in work carried by electrical contractors is at an all-time low, largely due to the success of the "Contractor Connect Scheme", it is believed. This scheme provides real incentives for major electrical contractors involved in residential electrical work to ensure their work is safe and compliant.
- In respect of gas, there is a new "demerit points scheme" now in place and early signs indicate that it will work to substantially deal with those who are persistently delivering defective gasfitting work.

6.2 EnergySafety structure, resources and powers

6.2.0 Introduction

The Executive Director, Energy Safety Division (or "Energy*Safety*"), heads the Division and by design the incumbent also holds the statutory office of Director of Energy Safety.



The desire to become more efficient due to workload pressures and at the same time retain and develop critical technical expertise relevant to each industry sector caused a review in 2003 that resulted in the restructure of the Division into three Directorates as shown above, and described below.

6.2.1. Electricity Directorate

This Directorate is headed by the Director Electricity and is responsible for –

- All electricity related technical and safety policy work including ministerial advice, new legislation, regulatory reform proposals, technical standards development, industry liaison and assessment of requests for variations to regulatory requirements; and
- All electricity related operational work.

The following two Branches:

- ❖ The Electricity Supply Branch, headed by a Principal Engineer; and
- ❖ The Electricity Utilisation Branch, also headed by a Principal Engineer;

each deal with policy work including ministerial advice, new legislation, regulatory reform proposals, technical standards development, industry liaison and requests for variations to regulatory requirements. They also provide specialist direction and assistance to the Electrical Inspection Branch, when the latter is carrying out complex investigations (such as those dealing with electricity industry work practices, or complaints about electricity supply standards) and corporate compliance audits of electricity utilities (e.g. Western Power) and licensed contractors, as well as enforcement activities.

The Directorate's Electrical Inspection Branch, headed by the Chief Electrical Inspector, is responsible for the following key activities:

- Conducting corporate compliance audits of electricity suppliers in relation to network safety and supply standards;
- Guiding and approving electricity supplier "Inspection Plans", which set out electricity consumer installation practices and commitments, and conducting audits to ensure compliance;
- Inspecting electricity consumers' installations in remote locations (not serviced by utilities);
- Conducting compliance audits of electrical equipment retailers, in relation to safety and energy efficiency (labelling and MEPS) requirements;
- Appointing all electrical inspectors in the State, maintaining codes of conduct, monitoring compliance;
- Carrying out investigations into serious accidents (injury and damage) and incidents (supply interruptions), and recommending safety promotion, warnings, prosecutions, disciplinary actions etc, as appropriate.
- Advising consumers and industry operatives in relation to energy safety and compliance matters;
- Technical and investigative support to the Electrical Licensing Board and the Licensing Office;
- Monitoring safe work practices used in industry;
- Participating in industry safety promotion campaigns (e.g. regional presentations); and
- Assisting the Director with appeals against external inspectors' rulings.

The Electricity Directorate is based at Cannington, but also has senior electrical inspectors based at Karratha, Geraldton, Kalgoorlie and Bunbury. The branch operates on a 24/7 basis in response to the reporting of electrical incidents (fires, injury, major electricity supply interruptions etc).

6.2.2 Gas & Emergency Management Directorate

This Directorate is headed by the Director Gas & Emergency Management and is responsible for –

- All gas related technical and safety policy work including ministerial advice, new legislation, regulatory reform proposals, technical standards development, industry liaison and assessment of requests for variations to regulatory requirements;
- All gas related operational work;
- The development of emergency management strategies and plans, plus the operational execution of the latter in respect of liquid fuel shortages, the coordination of lifeline services emergency plans including infrastructure assurance, plus liaison with emergency management and infrastructure security organisations at State and national level; and
- Gas supply system emergency management (e.g. shortage of gas ex the Dampier – Bunbury natural gas pipeline).

The following two Branches:

- ❖ The Gas Supply Branch, headed by a Principal Engineer; and
- ❖ The Gas Utilisation Branch, also headed by a Principal Engineer;

each deal with gas industry policy work and emergency management matters, including ministerial advice, new legislation, national policy issues, regulatory reform proposals, and requests for variations to regulatory requirements. They also provide specialist direction and assistance to the Gas Inspection Branch, when the latter is carrying out complex investigations and corporate compliance audits of gas utilities (e.g. Alinta) and licensed gasfitting contractors, as well as enforcement activities;

The Directorate's Gas Inspection Branch, headed by the Chief Gas Inspector is responsible for the following key activities:

- Conducting corporate compliance audits of gas suppliers in relation to network safety and quality (composition) of NG and LPG supplied;
- Guiding and approving gas supplier "Inspection Plans," which set out gas consumer installation practices and commitments, and conducting audits to ensure compliance;
- Inspecting gas consumers' installations in remote locations (not serviced by utilities), with special focus on industrial installations such as mine sites with industrial gas appliances;
- Conducting compliance audits of gas appliance retailers, and gas appliance re-conditioners, in relation to safety requirements;
- Appointing all gas inspectors in the State, maintaining codes of conduct, monitoring compliance, especially in relation to the approval of industrial gas appliances;

- Carrying out investigations into serious accidents (injury and damage) and incidents (supply interruptions), and recommending safety promotion, warnings, prosecutions, disciplinary actions etc, as appropriate;
- Advising consumers and industry operatives in relation to energy safety and compliance matters;
- Technical and investigative support to the Gas Licensing Committee and the Licensing Office;
- Monitoring safe work practices used in industry;
- Participating in industry safety promotion campaigns (e.g. regional presentations); and
- Assisting the Director with appeals against external inspectors' rulings and requests for variations from prescribed requirements.

The Directorate is based at the Cannington Office. Support is provided from senior electrical inspectors at country locations, where practicable.

The branch operates on a 24/7 basis in response to the reporting of gas incidents (fires, injury, major gas supply interruptions, etc).

6.2.3 Business Services Directorate

This Directorate is headed by the Director Business Services and, in brief, is responsible for the operation of the Licensing Office, the development and maintenance of electrical and gas licensing policies, support to the statutory Electrical Licensing Board and the Gas Licensing Committee, especially for dealing with disciplinary proceedings against licence holders, the operation of Energy*Safety*'s administrative and office systems, the provision of a wide range of business planning, business performance measurement, financial planning and management accounting functions, plus communication with industry.

The Directorate currently has three Branches, as follows:

- ❖ Licensing Office
- ❖ Business Projects
- ❖ Technical Communications

An Office Services Branch is yet to be established, to provide for the efficient future delivery of various corporate services and external contract services necessary for the functioning of Energy*Safety*.

These Branches deal with the following key activities, as relevant:

- the development and maintenance of licensing policies covering the licensing of electrical contractors, electricians, restricted electrical workers and the various types of gas fitters;
- administering the Licensing Office, which deals with all electrical and gas licensing enquiries, applications, renewals, and manages the licence holder databases and related applications;
- supporting the Electrical Licensing Board in the discharge of its statutory functions (including provision of Executive Officer);
- supporting the Gas Licensing Committee in its discharge of the statutory functions delegated by the Director (the Director Business Services is chair);

- managing formal disciplinary proceedings in respect of electrical operatives for the Electrical Licensing Board, and in respect of gas fitting operatives, for the Director of Energy Safety, the more serious proceedings being forwarded to the State Administrative Tribunal;
- administration of the Division's industry levy scheme including data collection and modelling, licence revenue forecasting, expenditure budget development;
- representing Energy*Safety's* needs in relation to various corporate and central agency activities, including internal audit, expenditure tracking and projection, performance indicator development and progress monitoring;
- overseeing the development of the annual Business Plan and maintenance of the Division's Operational Plan;
- overseeing and coordinating office services including records management, FOI, IT services, building services, fleet management; finance and administration services (as provided by Corporate Services Division);
- statistical analysis and reporting in respect of electricity and gas related incidents, and *EnergySafety*'s key performance indicators; and
- industry technical (regulatory) communication, annual reporting and safety promotion generally.

6.2.4 EnergySafety's staff resources

The previous Business Plan 2006-07 proposed a total of 10 extra permanent staff to be appointed to bring Energy*Safety*'s longer term establishment level to 56 FTEs and this was approved by the Minister.

The additional staff will be appointed as soon as practicable in respect of financial capacity.

Meanwhile additional personnel can be engaged on a contract basis as and when necessary to augment resources, although the establishment of 56 FTEs is seen as necessary to provide sufficient long term internal capacity for regulatory issues management, the retention of key technical and regulatory knowledge for specialist electricity and gas regulatory functions, and succession planning.

At this stage there has not been a final decision on the specific types of additional staff to make up the total of 10 to be recruited, but it will be a blend of mid-level technical and administrative personnel. This blend is necessary as in the longer term Energy*Safety*'s office systems are as important as field operatives, if professional results are to be delivered for the benefit of industry and the community. Furthermore, if the policy project to amend legislation in regard to the control of vegetation near power lines proceeds with the Government's approval, then an extra two inspectors will be required specifically for the ongoing aspects of this work once the changes are implemented.

These proposed staff increases are a modest response to the significant increase (since beginning of 1995) in Energy*Safety*'s workload due to organic growth, major new regulatory obligations and the addition of emergency management responsibilities. For example, Energy Safe Victoria which deals with electricity and gas safety regulation has some 90 personnel, and the Electrical Safety Office QLD which deals only with electrical safety regulation has some 70 personnel. Comparisons should be made cautiously however, as none of the offices perform exactly the same functions (e.g. neither the VIC or the QLD offices referred to carry out critical infrastructure or emergency management related activities of the kind conducted by Energy*Safety* WA).

It is hoped that Government approval for an ARB (Attraction and Retention Benefit) in line with that submitted by Energy*Safety* during October 2006 will be available during the second half of 2006-07 to allow selective recruiting to commence, for appointments to commence mid 2007, supported by funding from the 2007-08 year. Meanwhile some technical personnel have been engaged on a limited term basis to augment existing permanent staff resources.

6.2.5 EnergySafety's regulatory powers

Energy*Safety*'s regulatory powers originate from the regulatory functions of SECWA, the State's vertically integrated electricity and gas utility and regulator that ceased at the end of 1994. The regulatory functions at that time were tailored solely to suit safety regulation of consumers' installations and not electricity and gas networks.

Following a considerable amount of "industry consultation", Governments introduced comprehensive regulations for the gas supply industry in 2000 and then the electricity supply industry in late 2001. Unfortunately, there are inadequate powers for the issuing of remedial orders in case of non-compliance and inadequate penalties for enforcing these regulations and others.

It is hoped that the *Gas and Electricity Safety Legislation Amendment Bill 2006* which is designed to address these concerns will be passed during early 2007 (in late 2006 the Bill was awaiting debate in the Legislative Council, having been passed with support from both sides of the House in the Legislative Assembly earlier in 2006).

In an environment where increasing competition will inevitably put cost pressures on all energy industry players, including network operators, it is important that the regulator can act to maintain a level playing field and also protect the community.

The next section describes in more detail some of the changes that are having an impact on the regulatory landscape and thus Energy*Safety*'s business.

6.3 Industry and Community Electrical and Gas Safety

6.3.1 General

The benefits of saving lives and accidents flow directly to the community. A reduction of 1 fatality and 5 serious accidents would save the community about $1.25m annually. There are about 4 to 5 fatalities and about 45 accidents[4] reported annually in WA and the accidents are probably under reported. The information and education strategies used in Victoria are successful and similar effort in WA could reduce by 50% the numbers indicated above.

[4] Accidents are electrical and gas incidents of a serious type where a person has received some type of medical treatment (including assessment tests) by a health professional. Electrical "shocks" are non-serious electrical incidents where the person has experienced a shock or tingle of an electrical nature, but has not required any medical treatment.

There is also a need to raise awareness of the risks for regional Western Australians who are over-represented in the energy accident statistics, although the indications are that this trend is declining.

In summary, too many Western Australians continue to be killed or injured while using energy.

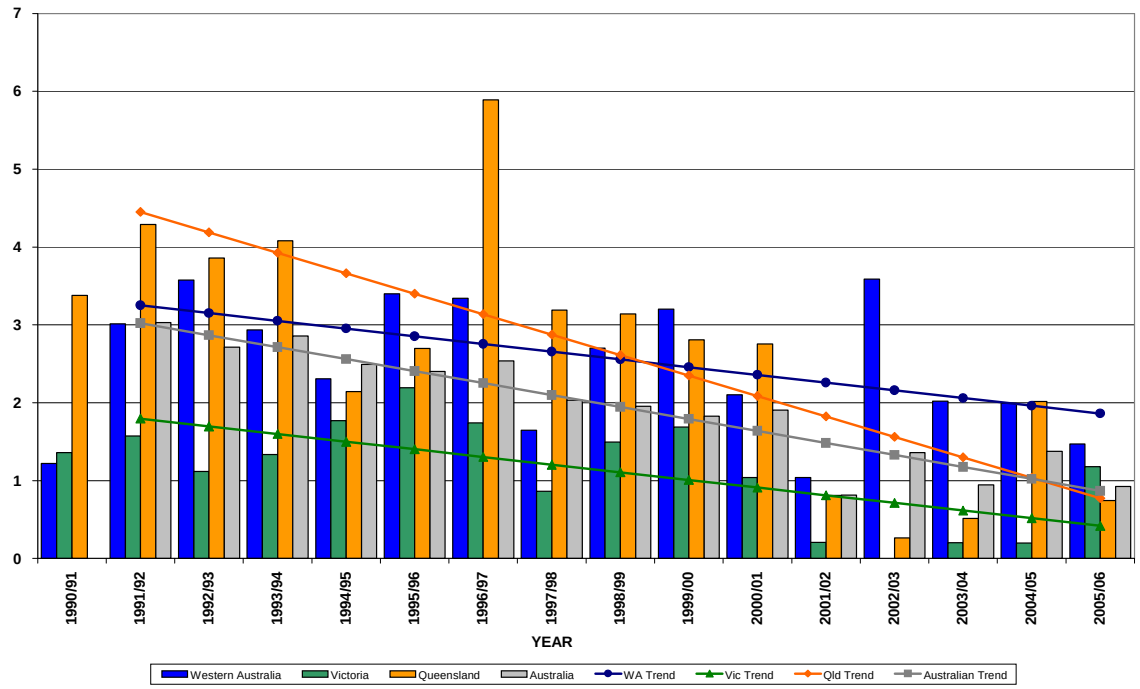
The key way of reducing this unfortunate statistic is to advertise safety messages, and to greatly raise awareness of energy related hazards and how to deal with them or avoid them.

In the case of the electrical industry, some additional regulatory measures are required as is covered in Section 2.1 and in the Sub-Sections that follow.

6.3.2 Current level of safety within WA

While the long-term trends appear to be in the right direction, the following graphs show that Western Australia has a higher level of electrical fatalities than many other jurisdictions.

CHART A: ELECTRICAL FATALITIES PER MILLION POPULATION



For example WA is at about three times the level of Victoria and substantially higher than the Australian average. Furthermore, during some recent years significant escalation of electrical fatalities (electrocutions) and accidents took place. A significant factor in the lower rate of fatalities in Victoria is the extensive public advertising of electrical safety in that State. Energy*Safety* was able to carry out a modest safety awareness program in 2005 and needs to reinforce the outcomes by undertaking further programs on a regular basis in future years, however funding difficulties are now threatening this strategy.

CHART B: WA ELECTRICAL ACCIDENTS PER MILLION POPULATION - 1990/91 to 2005/06

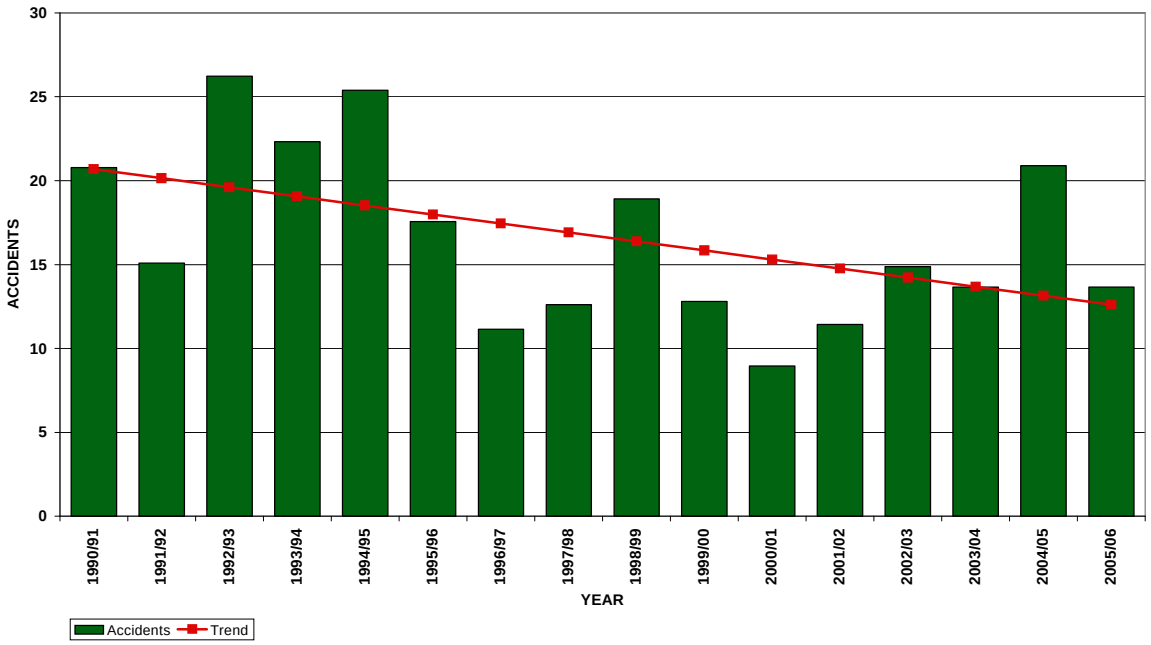
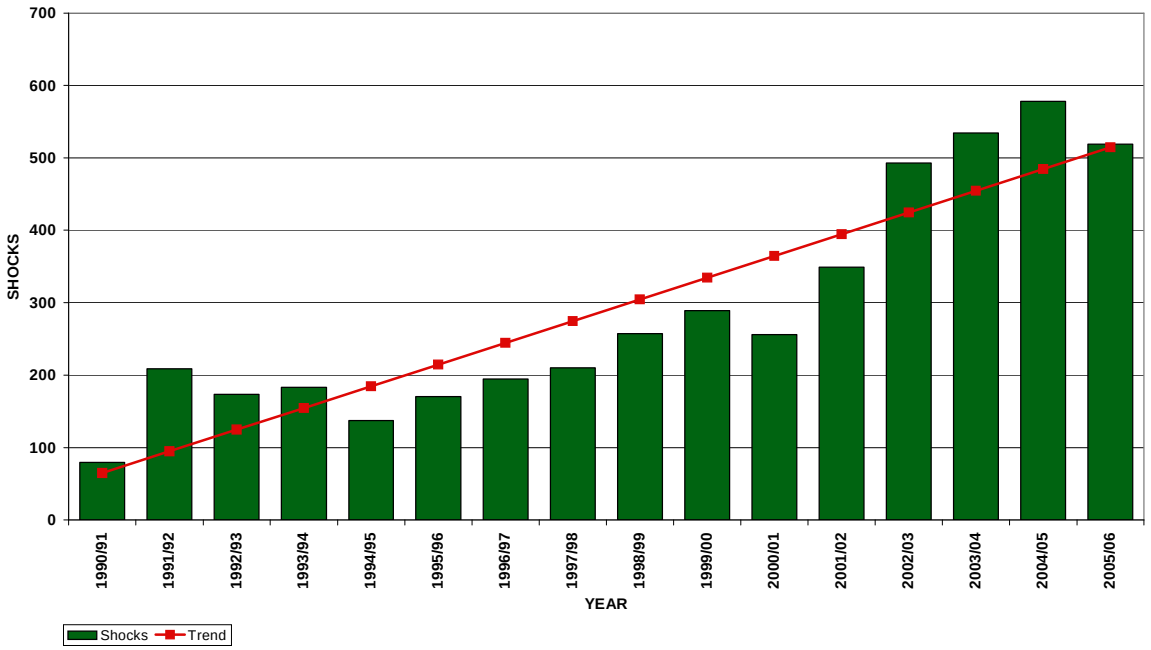


CHART C: WA ELECTRICAL SHOCKS PER MILLION POPULATION - 1990/91 to 2005/06



The increase in the reporting of shocks can be attributed to the introduction of mandatory reporting requirements, however it does indicate that a problem exists.

CHART D: WA GAS INCIDENTS RESULTING IN FATALITY OR INJURY PER MILLION POPULATION - 1994/95 to 2005/06

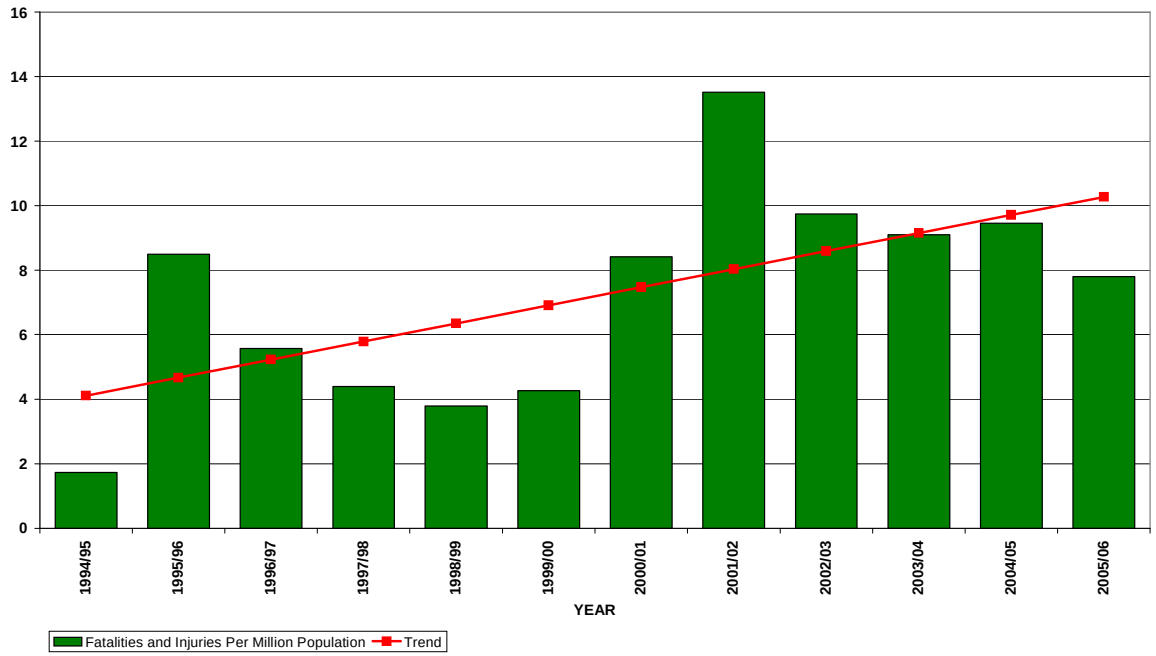
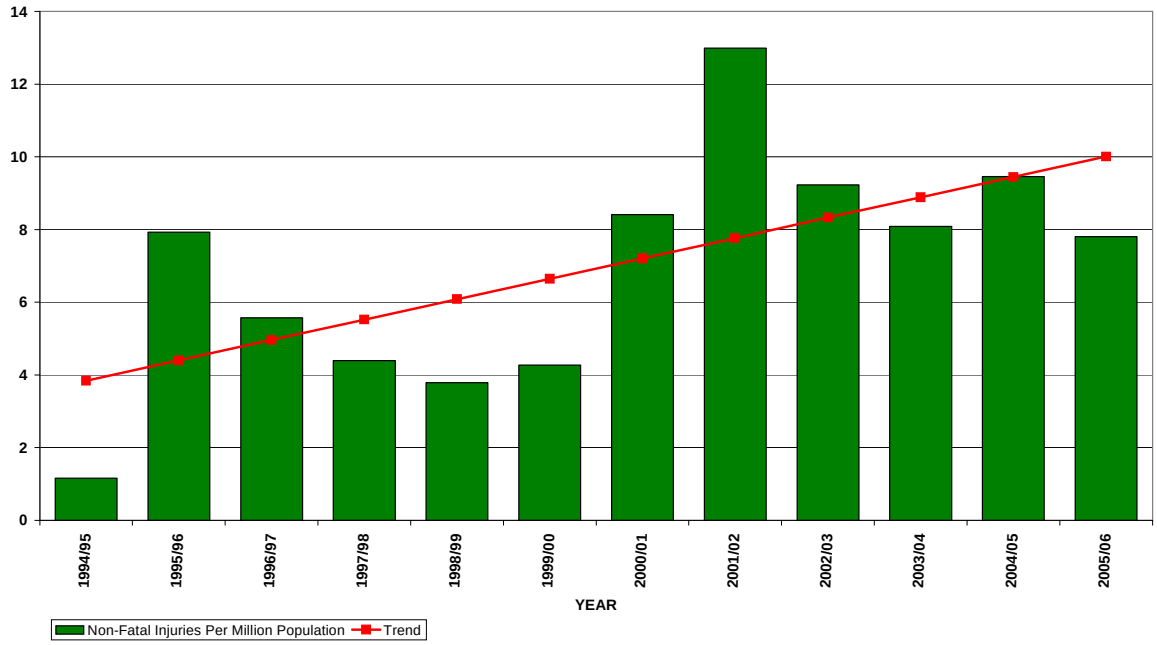


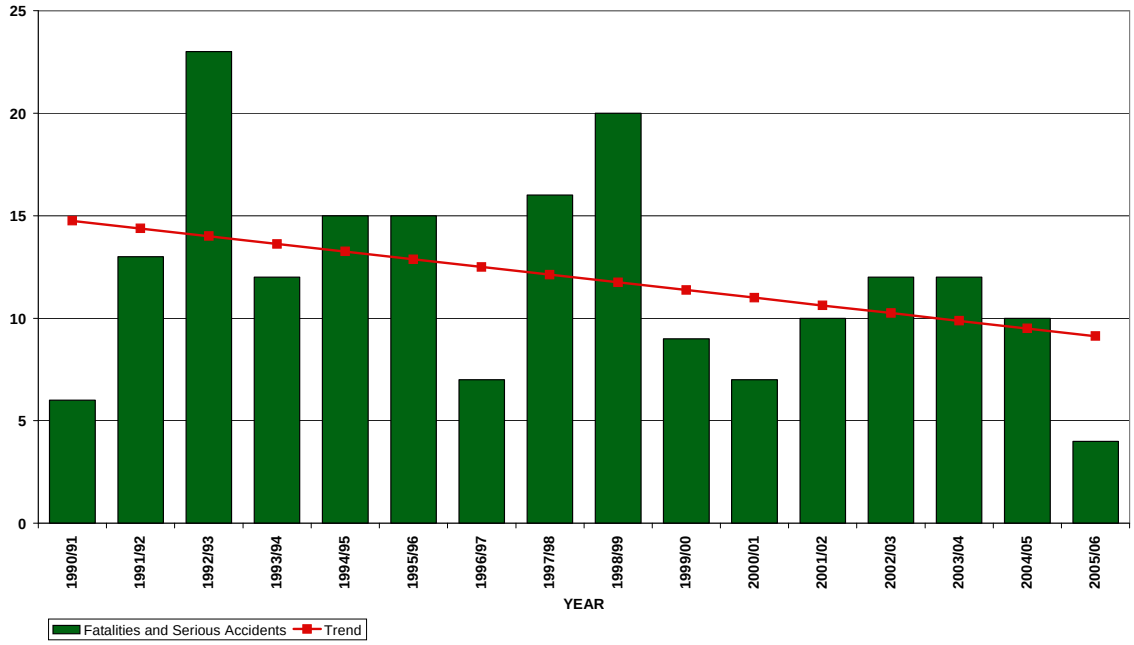
CHART E: WA GAS INCIDENTS RESULTING IN NON-FATAL INJURY PER MILLION POPULATION - 1994/95 to 2005/06



6.3.3 Electrical and gas worker safety

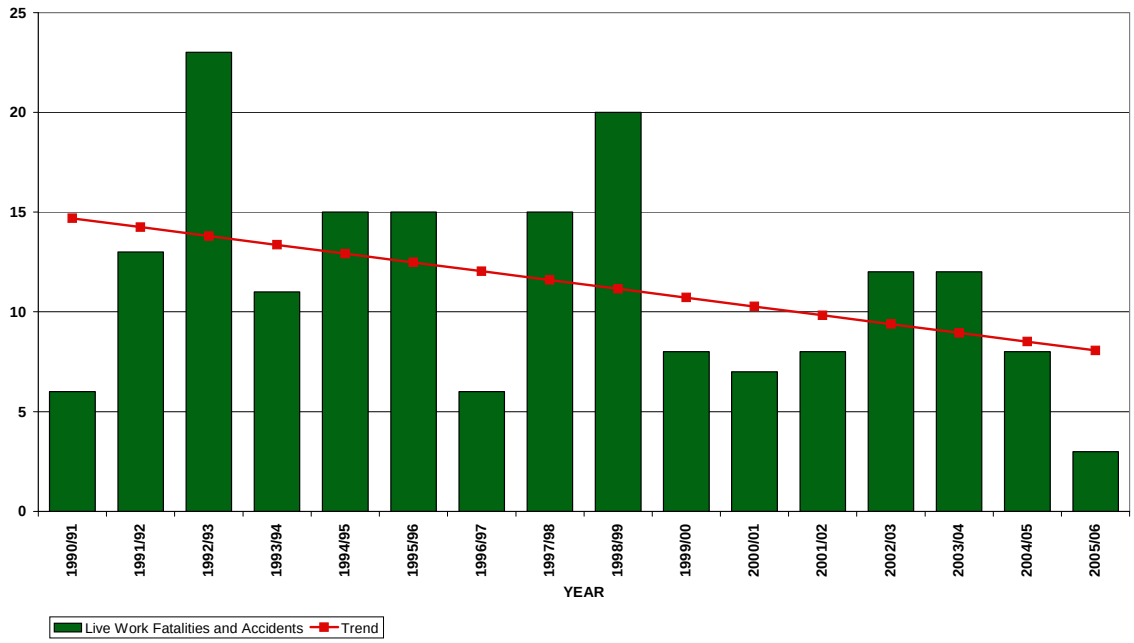
It is a concern that electricians, despite their skills (which should make them safer with electricity than members of the public) are many more times more likely to be electrocuted than members of the general public.

CHART F: FATALITIES AND SERIOUS ACCIDENTS INVOLVING QUALIFIED ELECTRICIANS IN WA - 1990/91 to 2005/06



Work on or near 'live' parts of consumers' installations is of particular concern, as shown.

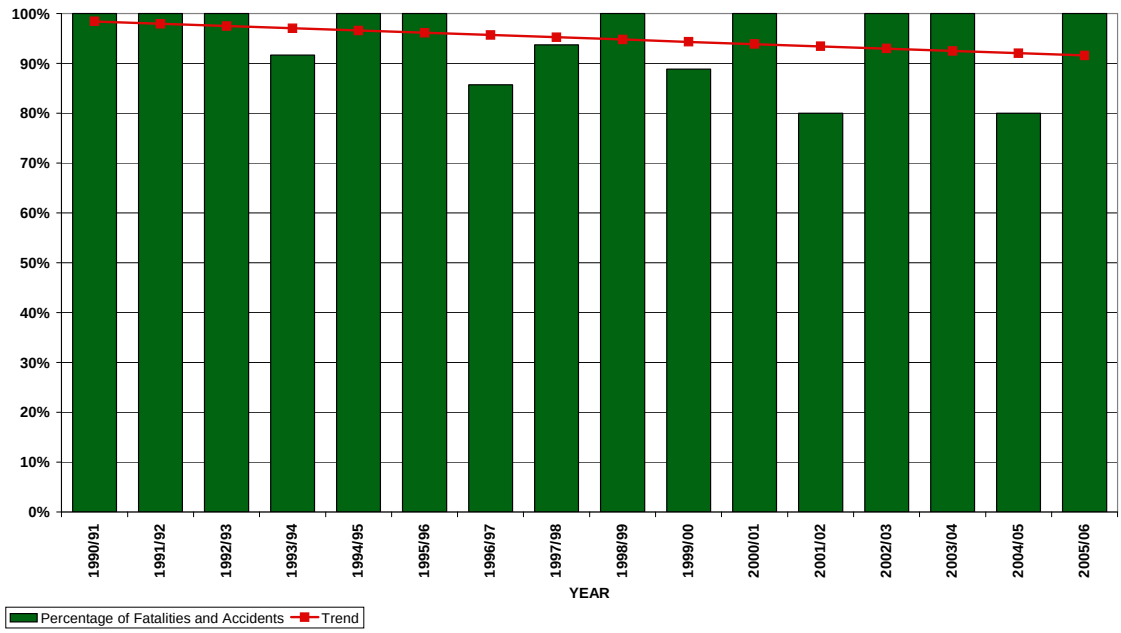
CHART G: WA ELECTRICAL FATALITIES AND ACCIDENTS RESULTING FROM 'LIVE WORK' BY QUALIFIED ELECTRICIANS - 1990/91 to 2005/06



Although the graph shows an improvement in regard to 'live' (415/240 volt) work safety incidents, there are still too many of these due to pressure to do electrical work 'live', so as to avoid the extra effort and cost of shutdowns or alternative arrangements such as after-hours work.

But serious electrical accidents and electrocutions are not confined to electricians. For example, not so long ago two lineworkers were electrocuted during only a 12 month period. *EnergySafety*, as regulator, should and can make a substantial contribution to this area.

CHART H: PERCENTAGE OF ELECTRICAL FATALITIES AND ACCIDENTS INVOLVING QUALIFIED ELECTRICIANS RESULTING FROM 'LIVE WORK' - 1990/91 to 2005/06



6.4 Measures to improve safety outcomes

6.4.1 General

Recent electrocutions in WA reinforce that there is a real need for safety promotion and workplace safety improvement programs, including industry education.

Although many accidents appear to take place due to human error on the part of the person affected (e.g. assuming something was 'dead' when in fact it was 'live', or making unintended contact with 'live' parts when using a tool and thus shorting out part of a switchboard, or failing to clear an area of gas before attempting to relight a gas appliance) rather than the failure of electrical or gas equipment or the incorrect

installation of such equipment, the incidence of accidents can be reduced by improving technology, safety devices and compliance with prescribed installation standards.

The following Sub-Sections deal with some of these, as well as education measures.

Aside from the use of specific requirements or controls on industry workers, other measures to improve safety outcomes (for both the worker and the end user of the work being carried out) include greater Inspector visibility.

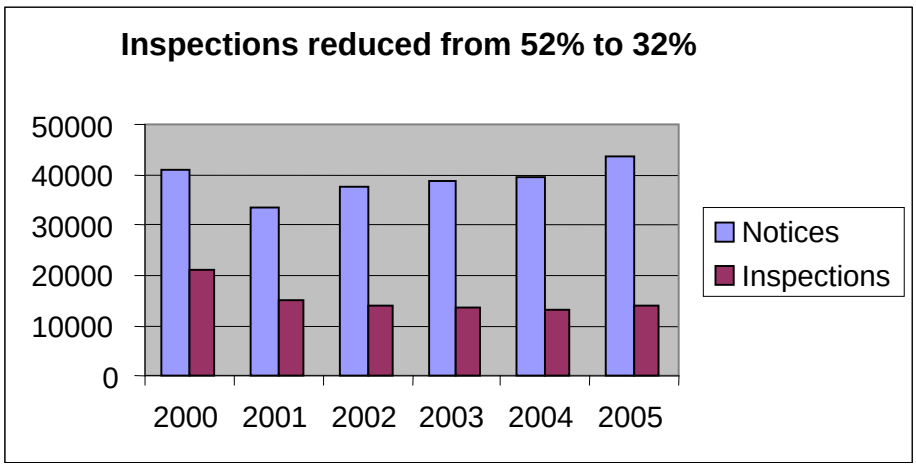
A survey conducted by Donovan NFO in 2001 for WorkSafe supported the need to increase the visibility of Inspectors in the workplace in order to motivate businesses to actively manage occupational safety and health. This observation equally applies to the energy safety regulation area. Such a proactive approach however places considerable extra and competing demands on the available Inspectors.

6.4.2 Consumer safety through installation compliance inspections

Energy*Safety* oversees and manages an electrical and gas consumer installation safety inspection regime. This regime engages some 170 (estimated as 100 full-time equivalent) Inspectors across WA, employed by the various electricity and gas network operators (and LPG suppliers) or operating on a fee-for-service basis for these entities. They inspect the work of licensed operatives at consumers' electrical and gas installations of all types (commercial, institutional, industrial and residential) either on an individual basis or, if the network operator (LPG supplier) has an approved Inspection System Plan, on a sample basis.

The following is an indication of how well refinements in the electrical installation inspection area have worked to deliver good results.

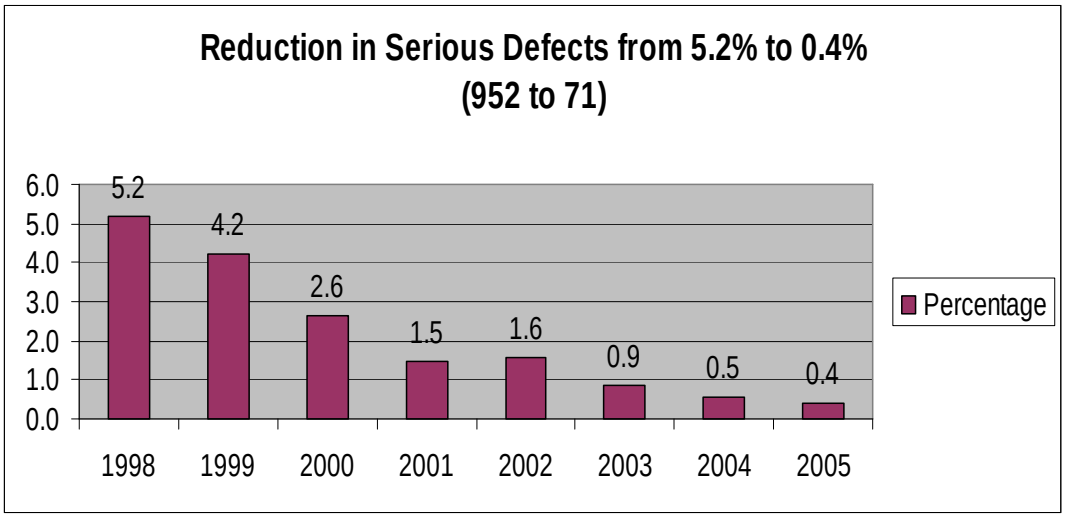
Electricity Network Operators - Installation Inspections[5] (based on Preliminary & Completion Notices)



[5] The reduction in the number of inspections over the years as shown was deliberate and agreed, on the basis of industry performance.

Electricity Network Operators - Installation Inspections (Minor Work)

Consumers' Electrical Installations - Serious Defects



6.4.3 Retro-fitting of Safety Switches

It is a well established fact that safety switches (more correctly called Residual Current Devices or RCDs) will save individuals from serious shock or electrocution in about 90% of cases in the home or small business. They also have extensive application in industrial plants and premises, albeit in different forms to suit the equipment and work environment.

One of the most common forms of serious electrical accident in residential premises is through persons entering the building's roof space to carry out some type of work (e.g. to repair something), then making contact with exposed live parts (due to damage or deterioration of the wiring over many years) whilst simultaneously contacting some earthed metalwork (e.g. plumbing pipe). If the wiring installation has "whole of house" RCD protection – either through a single or preferably two RCDs – then such contact will not result in a serious shock but only a tripped electricity supply to the premises.

Unfortunately, the promotional work carried out by Energy*Safety* during the 1990s did not result in significant retrofitting of RCDs by householders in pre-1991 homes (since then the fitting of RCDs has been mandatory).

Energy*Safety* therefore proposes the retro-fitting of RCDs as a future mandatory requirement on the vendors of residential premises and the landlords of residential premises. Similar initiatives are being pursued or have already been undertaken by regulators in other jurisdictions. This is the most acceptable way of ensuring that the purchasers of a home can be confident the electrical installation is safe for their use, whilst making this a minor outlay only for the vendor and achieving a significant penetration of RCD protection over a 15 year period.

6.4.4 General electrical and gas safety promotion for the community

Community safety is important and Energy*Safety* aims to be proactive in reminding the community of the hazards associated with unsafe electrical and gas installations and appliances through regular safety promotion activities.

Experience here and elsewhere shows campaigns should be aimed at both the public and energy workers in industry, to improve safety awareness in relation to the safe use of electricity and gas, electricity and gas infrastructure, and the hazards of working with energy. Campaigns need to be ongoing, as the message requires constant reinforcement to be effective.

Public safety and similar campaigns aimed at the general community are mainly reliant on the use of media advertising. Recent surveys have shown that TV advertising is very effective, whereas other forms of media are not. Energy*Safety*'s 2004-05 campaign for example had good results.

However, TV advertising is expensive and requires adequate funding to be available.

Unfortunately the funding for 2006-07 was (mainly due to unexpected, additional labour related costs as stated earlier) not sufficient to allow even a modest TV campaign. To address this, additional funds will need to be sought for the coming years.

FINANCIAL PLAN

7.0 Introduction

The Financial Plan that follows on the next page sets out in detail the forecasts for the various components that make up Energy*Safety*'s revenue budgets and expenditure budgets (both capital and operating) over the 2007/08 year and beyond.

Each of the components in the Table is explained in the text of section 7.1.

7.1 Financial Plan, notes and explanations

Energy*Safety*'s Financial Plan is designed to provide a detailed overview of –

(1) estimated revenue from electrical and gas operative licence fees and other minor revenue generating activities;

(2) planned operating and capital expenditure; and

(3) the energy industry levy required to make up the shortfall between (1) and (2).

Estimates are provided for the next financial year 2007/08, as well as for the four forward years, although it needs to be recognised that projections for the out-years are less accurate and subject to review prior to each year. All estimates are in January 2007 dollars.

The following points should be noted in relation to the attached Plan, in the sequence of items listed in the attached Plan:

NEW/NON-RECURRENT EXPENDITURE

a) The previous Business Plan 2006-07 proposed a total of 10 extra permanent staff to be appointed to bring Energy*Safety*'s longer term establishment level to 56 FTEs and this was approved by the Minister.

The extra staff are needed to provide necessary additional capacity for Energy-*Safety*'s work, such as to advise industry, carry out standards development, coordinate regulatory activities with other agencies, support the ERA and Energy Ombudsman, enforce existing requirements and carry out a wide range of policy work.

The additional staff will be appointed as soon as practicable in terms of financial capacity. In the meantime contract personnel will be engaged where appropriate for particular projects or for general part-time support.

b) This item lists the non-salary costs associated with the additional staff to be appointed, as described in (a) above.

(continued page 33)

FINANCIAL FORECASTS:

		$m				
	06/07	**07/08**	**08/09**	**09/10**	**10/11**	**11/12**
OPERATING EXPENDITURE:						
1) New/Non-Recurrent Expenditure						
a) 5 extra staff in 10/11and 11/12	*(see footnote)*	0.000	0.000	0.000	0.430	0.430
b) Operating costs (eg vehicles, etc for extra staff from 10/11)	*(see footnote)*	0.000	0.000	0.000	0.175	0.175
c) Safety promotion (eg TV ads, regional presentations)	0.250	0.000	0.300	0.000	0.350	0.350
d) Attraction & Retention Benefit*	0.000	1.189	0.796	0.796	0.898	0.919
e) Control of vegetation near power lines (policy work, then ongoing operational work)	0.300	0.000	0.000	0.300	0.300	0.200
TOTAL NEW *(see footnote)*:	0.550	1.189	1.096	1.096	2.153	2.074
2) Recurrent Expenditure						
a) Corporate services	0.650	0.680	0.680	0.680	0.748	0.816
> Ongoing IT maint'ce loading	0.000	0.050	0.050	0.050	0.050	0.050
> Special EIS & GIS support	0.000	0.150	0.150	0.000	0.000	0.000
b) Legal services ex SSO	0.200	0.200	0.200	0.200	0.200	0.200
c) Labour/remuneration costs	3.577	4.585	4.585	4.585	4.585	5.015
d) Accommodation (rent & out-goings	0.305	0.305	0.305	0.305	0.305	0.305
e) Other recurrent expenditure	1.483	0.914	0.914	0.914	0.914	1.089
TOTAL RECURRENT:	6.215	6.884	6.884	6.734	6.802	7.475
TOTAL OPERATING EXP	6.765	8.073	7.980	7.830	8.955	9.549
CAPITAL EXPENDITURE:						
a) Desktop IT hardware/software replacement	0.080 0.000	0.100	0.100	0.100	0.100	0.100
b) IS replacement - see notes**		0.000	0.000	0.000	0.000	0.000
TOTAL CAPITAL:	0.080	0.100	0.100	0.100	0.100	0.100
TOTAL EXPENDITURE:	6.845	8.173	8.080	7.930	9.055	9.649
SOURCE OF FUNDS:						
a) Estimated licensing revenue		3.066	2.873	2.452	3.040	2.323
b) Other minor income		0.015	0.015	0.015	0.015	0.015
c) Indian Ocean Territories service		0.045	0.045	0.045	0.045	0.045
d) Base energy industry levy*		5.047	5.147	5.418	5.955	7.266
e) Adjustment to equalise levy		0.589	0.489	0.218	-0.319	-1.630
f) Total levy	4.488	5.636	5.636	5.636	5.636	5.636
g) Carry forward to next year	0.654	1.243	1.732	1.949	1.630	0.000
h) Funds from previous year	0.000	0.654	1.243	1.732	1.949	1.630
AVAIL FUNDS FOR EACH YEAR:		8.173	8.080	7.930	9.055	9.649

* total levy over the 5 forward years = 28.179 or 5.636 average p.a.

Footnote: All labour costs for 2006-07 are now shown at 2(c)

Financial Plan notes and explanations (continued):

c) As part of its role, EnergySafety needs to promote electrical and gas safety, through programs that are varied from year to year. This is to promote public / consumer safety and also industry safety using TV, radio, print media and industry presentations and safety material (eg safe work practices videos). This requires additional funds which have not been available during recent years due to other cost pressures. As can be seen, funding limitations are such that a significant publicity campaign is not proposed for 2007/08, but for 2008/09.

d) *The above figures include the proposed attraction and retention benefit (ARB) allowances for Energy*Safety* technical staff, however these are subject to special approval by the Government. The amount for 2007/08 includes an estimated amount of $0.393m for ARB related expenditure during 2006/07, which the budget per the industry funding Business Plan did not cover and recognised as possible extra, future expenditure, if approved.

e) Various governments since 1993 have sought to implement a new regime for the control of trees and other vegetation near overhead power lines, to provide safer community outcomes and better electricity reliability / quality of supply. This is to take place by clearly redefining in legislation the responsibilities of all parties and establishing a regulatory framework for ensuring compliance. The project has been delayed on several occasions due to pressure of other work and the need for ongoing funding. It is now proposed to be recommenced in 09/10, requiring detailed policy development work by a consultant, then implementation (including promotional work), followed by ongoing compliance and advisory activities.

In the meantime during 2006/07, Energy*Safety* produced and distributed a detailed set of guidelines to the electricity network operators, Local Government and community bodies to provide practical information on responsibilities and standards for maintaining vegetation clear of lines.

RECURRENT EXPENDITURE

a) Energy*Safety* requires corporate services (covering finance, HR and IT/IS) to be provided by DOCEP and the amount shown is the estimated cost, which is escalated as the number of employees is expanded. Extra expenditure is required for IT infrastructure maintenance and for maintaining the EIS and GIS applications until they are replaced.

b) Legal Services are normally provided by State Solicitor's Office and these are charged to Energy*Safety* at nominal cost.

c) Labour and remuneration costs include all expenditure associated with engaging permanent, contract and temporary employees, including all known salary increases per the award and all direct on-costs such as superannuation and FBT. The costs associated with additional staff to be recruited are not included in this line but under "New Expenditure".

d) Accommodation covers all rent and related outgoings associated with Energy*Safety*'s Cannington offices, priced at the same cost as Energy*Safety*'s

previous costs at West Leederville (as the move was assured to be at worst cost neutral).

e) "Other recurrent expenditure" covers all other expenses not covered by (a) – (d) above, such as other office expenses, travel, training, printing costs, vehicles etc.

CAPITAL EXPENDITURE

a) IT hardware and software replacement covers only the routine replacement of desktop PCs and local printers etc. All general DOCEP network infrastructure is covered by the Corporate Services charge to Energy*Safety*.

b) Information Systems (IS) replacement: Energy*Safety*'s current corporate IS are –

- the Electrical Inspection System (EIS) which supports the operational work of the Electrical Inspection Branch and collects vital data;
- the Gas Inspection System (GIS) which supports the operational work of the Gas Inspection Branch and collects vital data;
- the Electrical Licensing Application (ELA) that handles all electrical worker / contractor licensing transactions and records; and
- the Gas Licensing Application (GLA) that handles all gas fitter licensing transactions and records.

The ELA and GLA applications are due to be replaced during 2007/08 per DOCEP funding already committed. Hence no cost is shown for their replacement.

The EIS and GIS applications are also near the end of their service life and require a number of modifications [see notes per 2(a) above] to allow them to operate until 2009/10, when replacements are to be developed and implemented. These new applications are expected to use software modules already developed for other parts of DOCEP, requiring a minimal amount of customising, and are already provided for under the DOCEP IT capital works plan. Hence no costs are shown for their replacement.

SOURCE OF FUNDS

a) Licensing revenue is that derived from electrical worker, electrical contractor, and gas fitter licence fees. The total revenue per year varies on a 5 year cyclical basis, as the electrical worker fees are for a 5 year term and renewals are not equally distributed over the 5 year period. Licence fees may only be set to reflect the cost of administering a licensing system and currently most fees are within 20-10% of full cost, with continued steps being taken to increase fees beyond CPI adjustments, so as to 'close the gap' and reflect full cost recovery. All fees are expected to be at full cost recovery within 5 years (Note: as fee increases are at each government's discretion, future increases have not been factored into the forward years, although the 2007/08 revenue estimate is based on proposed fee increases in excess of CPI as part of this program).

b) Other minor income: covers the sale of publications and the like to industry.

c) Indian Ocean Territories (IOT) services: DOCEP has a service agreement with the Commonwealth's Department of Transport and Regional Services (DOTARS) to provide regulatory services to the IOT as it does on the WA mainland, but at full cost to DOTARS. Energy*Safety* is providing electricity and gas regulatory services under this agreement and the expected income is shown.

d) Base industry levy: this is the "unadjusted" energy industry levy that would be necessary to make up the difference between each year's total expenditure and the sum of the revenues of (a), (b) and (c) above. In other words, it is the raw amount of the levy needed to make Energy*Safety* fully industry funded.

e) Adjustment to equalise the levy: the figures at (d) show that over the 5 year period the combination of varying expenditure needs and varying licence revenue is such that it requires considerable variation in the levy itself. This is not desirable from a levy administration perspective, hence the Financial Plan at lines (f), (g) and (h) contains a mechanism that provides for an averaging of the levy over the 5 year forecast period, so as to reduce year-to-year fluctuations (this averaging is carried out on a yearly, rolling basis). The quantity shown at line (e) is the variation from the average levy, which is calculated at the foot of the page and for completeness shown at line (f).

f) This line shows the actual (or equalised, or averaged) industry levy over the 5 year forecast period. It should be noted that this amount of levy is reasonable when compared with the amounts applied in other jurisdictions, for similar purposes (see section 8.0), especially when the inclusion of the ARB [see note 1(d)] is allowed for during the forecast period.

g) Carry forward to next year: the equalisation scheme referred to in (e) and (f) above necessarily provides excess income in some of the 5 years of the forecast period, and that needs to be allocated for "carry forward". Similarly, in some years the income from the equalised levy and other revenue may be insufficient to cover all expenditure and in this case a temporary credit facility (from the Department of Treasury & Finance) will be required. During this forecast period such a facility is not expected to be necessary.

h) In keeping with (g), this line shows the amount carried forward from the previous year, to allow totals to be calculated. It had been forecast prior to 2006/07 that $0.654m would be carried forward into 2007/08.

7.2 Industry levy quantum

The Financial Plan shows the industry levy for 2007/08 is required to be $5.636m, based on the equalisation scheme (as explained in section 7.1) that allows for fluctuations in revenue from licensing and in various types of expenditures.

When ARB related costs of $1.189m (which include recovery of $0.393m for the ARB in 2006/07) are deducted, this levy is less than the 2006-07 levy of $4.488m plus an expected 5% to cover inflation (as per expected CPI increases). The proposed ARB is an additional special cost applicable only whilst the levy is approved by the Government, so as to make Energy*Safety*'s employment packages for technical personnel more competitive during a time of strong economic conditions in WA.

The manner in which the levy of $5.636m is to be applied across various industry participants is outlined in section 8.

INDUSTRY LEVY STATEMENT

8.0 Introduction

This Statement is produced in accordance with section 6 (1) of the *Energy Safety Act 2006* – "the Act".

The Act makes provision for the collection of a levy from energy industry participants. A similar contribution scheme levied on the gas and electrical industries is to be found in other States, eg Victoria and Queensland.

The Levy is based on the concept that there should be a contribution from those parties who benefit from the existence, continuous development and enforcement of WA's electricity and gas technical and safety regulatory framework. It is assumed that entities that contribute a portion of the Levy will pass on this cost to its clients. The clients and beneficiaries of the regulatory framework are gas and electricity users generally as well as purchasers of commodities or goods produced using electricity or gas, irrespective of whether they are at home, at recreation or at work in commerce or industry. All these users benefit from safe energy supply systems, safe and efficient energy installations and appliances, safety promotion and related emergency management work.

For 2007/08 the proposed Industry Levy in accordance with the *Energy Safety Act 2006* section 6 (1) (c) and the related *Energy Safety Levy Act 2006* will be a total of $5.636m. This legislation allows the responsible Minister to make a formal determination of the levy for the financial year, for notice of this amount to be published in the Gazette and for Energy*Safety* to issue notices of assessment accordingly. In accordance with the legislation, all revenue raised from the Levy will be used solely for energy safety related activities.

It should be noted that the proposed $5.636m levy compares favourably with the levy raised in other States' jurisdictions, although it is difficult to make detailed comparisons as the various regulators' offices have some considerable variation in the scope of their work (e.g. in respect of emergency management, installation inspections) and in their types of income (e.g. through electrical equipment approvals).

As required by the governing legislation, the next section of the Business Plan details the methodology for the calculation and allocation of the appropriate portions of the Levy to the individual industry participants.

8.1 Apportionment of levy between energy sectors

The proposed 2007/08 Industry Levy of $5.636m will be apportioned as 67% to the Electrical Industry and 33% to the Gas Industry in accordance with section 6 (2) of the Act.

The total Levy contribution received from participants in the Electrical Industry will therefore be $3.776m.

The corresponding figure for the Gas Industry will be $1.860m.

8.2 Model for allocation of levy within each energy sector

To allocate the Levy within each industry sector, Energy*Safety* will continue to use the model devised for the allocation of the 2006/07 Levy. This model was devised after consultation with Industry and was agreed to be fair and equitable. The model is based on the following:

a) Gas levy allocation across the gas sector to be based on the number of gas consumer sites supplied by each gas distribution system licence holder and LPG distributors supplying LPG in bulk and in portable 45kg cylinders in WA, subject to a minimum aggregate total of 500 sites[6]. The aggregate may be based on multiple networks.

b) Electricity levy allocation across the electricity sector to be based on the aggregate number of consumer sites served by each network operator subject to a minimum aggregate total of 500 sites. The aggregate may be based on multiple networks.

In July 2006 Director of Energy Safety wrote to all participants in both energy sectors requiring them to confirm, in accordance with regulation 4(5) of the *Energy Safety Regulations 2006*, the number of LPG and consumer sites connected. Responses were received from all participants.

On the basis of the information received in these responses, Energy*Safety* calculated the proportion of all consumers supplied by each supplier within both industry sectors. This proportion was then used to calculate the annual levy contribution payable by each participant.

A similar survey will be carried out prior to 2007/08 to determine the levy contributions for each supplier in that fiscal year.

8.3 Administration of the levy scheme

Energy*Safety* maintains a confidential database of industry site or operator specific information that provides an audit trail in support of the levy calculations for each participant.

Although the total levy amount falls due for payment at the beginning of each financial year, as in 2006-07, it is proposed to invoice industry participants at quarterly intervals.

The formal assessment for the year will be communicated to individual participants concurrently with an invoice for the first payment. In accordance with section 17(3)(b) of the Act, if an instalment is not paid at or before the time due for payment of that instalment then the whole of the annual levy unpaid becomes due and payable at that time. There will be no reductions in liability for departures from the industry during the year, or back accounts for arrivals into the industry during the year.

Energy*Safety* will annually provide a printed report on its activities (including objectives, results and expenditure) to all the organisations paying a portion of the levy.

[6] The addition of a minimum of 500 sites for gas suppliers is a variation based on experience gained through 2006/07.