



Ms Marnie Williams  
Director  
Energy Safe Victoria  
Level 5, 4 Riverside Quay  
SOUTHBANK VIC 3006

17 August 2020

Dear Ms Williams

**REGULATORY IMPACT STATEMENT FOR ELECTRICITY SAFETY (REGISTRATION AND LICENSING) REGULATIONS 2020**

I would like to thank your staff at Energy Safe Victoria (ESV) for working with the team at Better Regulation Victoria to prepare the Regulatory Impact Statement (RIS) for the Electricity Safety (Registration and Licensing) Regulations 2020 (the proposed Regulations). The current Regulations (the Electricity Safety (Registration and Licensing) Regulations 2010) will expire in December 2020.

The proposed Regulations will be made under the *Electricity Safety Act 1998* (the Act), which includes requirements for the registration of electrical contractors and licensing of certain electrical workers covering most electrical work.

The Regulations provide details as well as prescribe fees and penalties.

As you know, under section 10 of the *Subordinate Legislation Act 1994* (the SLA), the Commissioner for Better Regulation is required to provide independent advice on the adequacy of the analysis provided in all RISs in Victoria. A RIS is deemed to be adequate when it contains analysis that is logical, draws on relevant evidence, is transparent about any assumptions made, and is proportionate to the proposal's expected effects. The RIS also needs to be clearly written so that it can be a suitable basis for public consultation.

I am pleased to advise that the final version of the RIS received by us on 17 August 2020 meets the adequacy requirements of the SLA.

## **Background**

The sunset of the current Regulations provides the opportunity for ESV to address three main issues in the RIS:

- delivering on the Government's election commitment to extend licensing to electrical lineworkers, following amendments to the Act in February 2020;
- introducing requirements for continuing professional development (CPD) for licensed electrical workers to ensure licensed workers' skills and qualifications keep pace with technological change; and
- reviewing the existing licensing arrangements for electrical workers (including public liability insurance and fees), and whether these should be changed.

As the RIS explains, for lineworkers registration involves providing personal details and evidence of appropriate qualifications to ESV. It occurs once, and there is no need to renew or update details. The electrical supply industry generally requires lineworkers to be registered.

Licensing by ESV, on the other hand, requires renewal every 5 years and will have a greater emphasis on skills and training if CPD requirements are introduced. Licensing enables ESV to communicate compliance requirements directly to the relevant workers. ESV already licenses most types of electrical work, but to date this has excluded lineworkers.

The proposed Regulations as described in the RIS will therefore operationalise the new licensing scheme for lineworkers, introduce new requirements for compulsory professional development (CPD) and largely remake the current Regulations in other areas.

ESV states that while the benefits of the current Regulations are difficult to measure, they provide significant safety benefits to electrical workers and consumers which outweigh regulatory burden, relative to the base case of the Regulations expiring but the Act and other aspects of the regulatory framework continuing. However, in the RIS, ESV analyses options against the current Regulations rather than the base case because:

- it is easier for stakeholders to understand the impacts on them of the proposed changes to requirements; and
- estimating costs and benefits in the base case are highly uncertain, given that regulations addressing electrical safety concerns have been in place for decades, making it difficult to accurately assess what the effects would be without them.

### **Licensing lineworkers**

'Electrical linework' is defined in the Act as the construction, alteration, repair, maintenance, or disassembly of a part of a supply network, while an 'electrical lineworker' is defined as a person who carries out electrical linework. ESV explains that given

the Act has already been amended to introduce a licensing scheme, alternatives to licensing lineworkers are not considered in the RIS.

The Regulations establish the scope of linework. ESV proposes that the scope of linework for the purposes of licensing includes overhead transmission networks, distribution networks, traction networks (rail and tram electrical lines) and some cable jointing work. ESV analyses options for the scope of cable work to be licensed, minimum qualifications and skills for a licence and whether lineworkers from other jurisdictions should be recognised in Victoria.

To achieve its electrical safety objectives, ESV proposes to restrict licensing of cable jointing work to only those activities that have the highest electrical safety risks and require specialist skills and knowledge. ESV explains that requiring a licence for all types of underground cable work is not currently preferred due to a lack of clarity regarding the qualifications required and the cost impacts on workers and the industry. ESV will continue to consult with industry on this issue and may consider recommending additional classes of lineworker licences be added to the Regulations as part of its mid-term review (discussed below).

As well as performing electrical work, lineworkers often undertake supervisory roles and civil work such as trench digging, rigging work on electrical infrastructure, and operating plant and equipment, but these activities are not covered by the proposed licence requirements.

ESV will provide initial licences free of charge to currently registered lineworkers when the scheme commences in 2021, but all workers will need to pay licence fees in the future including renewal fees.

ESV proposes maintaining the current Certificate III in Electrical Supply Industry Power System Qualification as the minimum qualification required for lineworkers rather than changing the minimum requirement to a higher or lower qualification with the introduction of the licensing scheme.

ESV estimates that 1800 lineworkers will be required to be licensed and licensing will have regulatory costs on industry of \$6.8 million over 10 years excluding fees. ESV explains that improved electrical safety is the key benefit of licensing lineworkers as licensing will enable ESV to more effectively communicate with workers, help to maintain and improve professional standards and make it compulsory for lineworkers to report safety issues.

#### **Continuing professional development**

As part of the remaking of the Regulations, ESV considered introducing CPD requirements for electrical workers. CPD is already required for licence renewal for electricians in Queensland and Tasmania. There are currently CPD requirements for other occupations including medical practitioners, engineers and accountants. CPD

requirements are currently being considered for plumbers and builders in Victoria.

In the RIS, ESV states that requiring CPD for electrical workers is important because electrical work is technically complex and potentially dangerous if strict safety procedures are not followed. Further, electrical work is subject to technological and market changes over time, such as the strong growth in rooftop solar and battery storage which pose new electrical risks.

ESV analyses four options for introducing CPD requirements for skills maintenance and skills development:

1. no requirement for CPD – the status quo
2. skills maintenance required by 2023
3. skills maintenance required by 2023 and skills development required by 2028
4. skills maintenance and skills development both required by 2023.

ESV explains that the third option is preferred because skills development training can be enhanced by taking into account experiences and outcomes from providing skills maintenance training.

Overall, there are 9 classes of electrical licence. Under the preferred option skills maintenance and development will only be required for three licence classes. These three classes are responsible for a wider range of electrical work in fields that are subject to greater change than other licence classes. The proposal is for these electrical workers to complete 8 hours of skills maintenance courses within two years of licence renewal and, once the requirement commences, complete an additional 8 hours of skills development training.

Skills maintenance, but not skills development, will be required for three other classes of worker and CPD will not be required for the remaining three classes.

The cost of CPD is estimated to be about \$50 million over 10 years. About three quarters of this cost is lost productivity and the other quarter is training course fees. ESV explains that the key benefit of CPD will be improved safety for electricians and the broader community. Moreover, the CPD proposal will help workers keep up to date with technological developments and safe working practices.

ESV explains that some of the design elements of CPD will be established administratively through an Industry Steering Committee it will setup. ESV explains that it will approve skills maintenance training courses, but course content will be developed by a third party and delivered by approved providers.

#### **Reviewing the current Regulations**

In the RIS, ESV also analyses options related to continuing aspects of the current Regulations or changing them. The three major considerations relate to:

- whether to continue current licensing requirements or remove requirements for some or all types of workers;
- whether the current requirement for Registered Electrical Contractors (RECs) to have at least \$5 million in public liability insurance should continue; and
- licence fees.

ESV proposes to continue current licensing requirements. It explains that all Australian states license electricians and that licensing increases electrical safety. It estimates that licensing will cost industry \$29 million over 10 years excluding licence fees.

ESV proposes to maintain the current minimum public liability insurance requirement at \$5 million. It explains that requiring RECs to take out this insurance is important because it protects consumers and the community and that the current minimum remains appropriate. Total insurance costs are estimated by ESV to be about \$40 million over 10 years. ESV notes that at least half of RECs would take out insurance voluntarily.

#### *Fees*

ESV operates on a full cost recovery basis and is funded through fees for services including from licensing (44 per cent of revenue), a levy on distribution companies (54 per cent) and other income such as interest (2 per cent). Currently, licence fees are based on full cost recovery of activities directly attributable to providing services and registering and licensing electrical workers. If the current Regulations expired and were not replaced, ESV would no longer have a mechanism to collect fees. In the RIS, ESV analyses three broad options for fees:

- allowing fee regulations to expire, so no fees would be collected. In this case, the levy would be increased to make up the shortfall;
- full cost recovery through fees and maintenance of the levy at its current rate; and
- partial cost recovery through fees and some increase in the levy.

ESV proposes to continue to set fees on a full cost recovery basis as it does now. It explains that full cost recovery meets its efficiency objective without comprising effectiveness. It also explains that there is not a strong equity argument for zero or partial cost recovery.

Currently there are two fee groups for licensing. ESV proposes to retain these two groups and prescribe fees for 2020-21 at:

- \$629.70 for REC, Licensed Electrical Inspectors and Restricted Electrical Worker's licences; and

- \$404.30 for all other licences including the new licence fee for electrical lineworkers.

ESV estimates that total licence fees paid by industry will be \$37 million over 10 years. Penalties in the proposed Regulations are the same as in the current Regulations.

### **Preferred Proposal**

Based on its analysis, ESV proposes to:

- introduce a licensing scheme for electrical lineworkers;
- require electrical workers to complete CPD. Skills maintenance will be required to have been completed by 2023 and skills development by 2028; and
- retain key features of the current Regulations in the proposed Regulations and make several minor changes.

ESV explains that this proposal will improve electrical safety and have total regulatory costs of \$155 million over 10 years including fees. It states that the benefits of improved safety will outweigh regulatory costs. Using a value of statistical life of \$4.5 million, it explains that the benefits of the Regulations will outweigh the costs if only three fatalities are prevented per year.

### **Implementation and Evaluation**

ESV explains in the RIS that it will send information about the proposed Regulations to all currently registered contractors and licensed workers and also make this information available online. As noted above, ESV will provide initial licences free of charge to currently registered lineworkers when the scheme commences. ESV has encouraged industry to register lineworkers. Workers will not be required to complete CPD requirements until 2023, as discussed above. ESV will establish a CPD Industry Steering Committee to obtain advice on the implementation and ongoing delivery of CPD in Victoria.

ESV states that it will develop an evaluation strategy for the proposed Regulations which will assess whether the proposal improves electrical safety outcomes and whether fees are simple, equitable and an efficient way to recover its costs. ESV notes that given the Regulations are relatively high impact, a mid-term review will be undertaken within 3 to 5 years.

Should you wish to discuss any issues raised in this letter, please do not hesitate to contact my office on (03) 7005 9772.

Yours sincerely



**Anna Cronin**  
Commissioner for Better Regulation