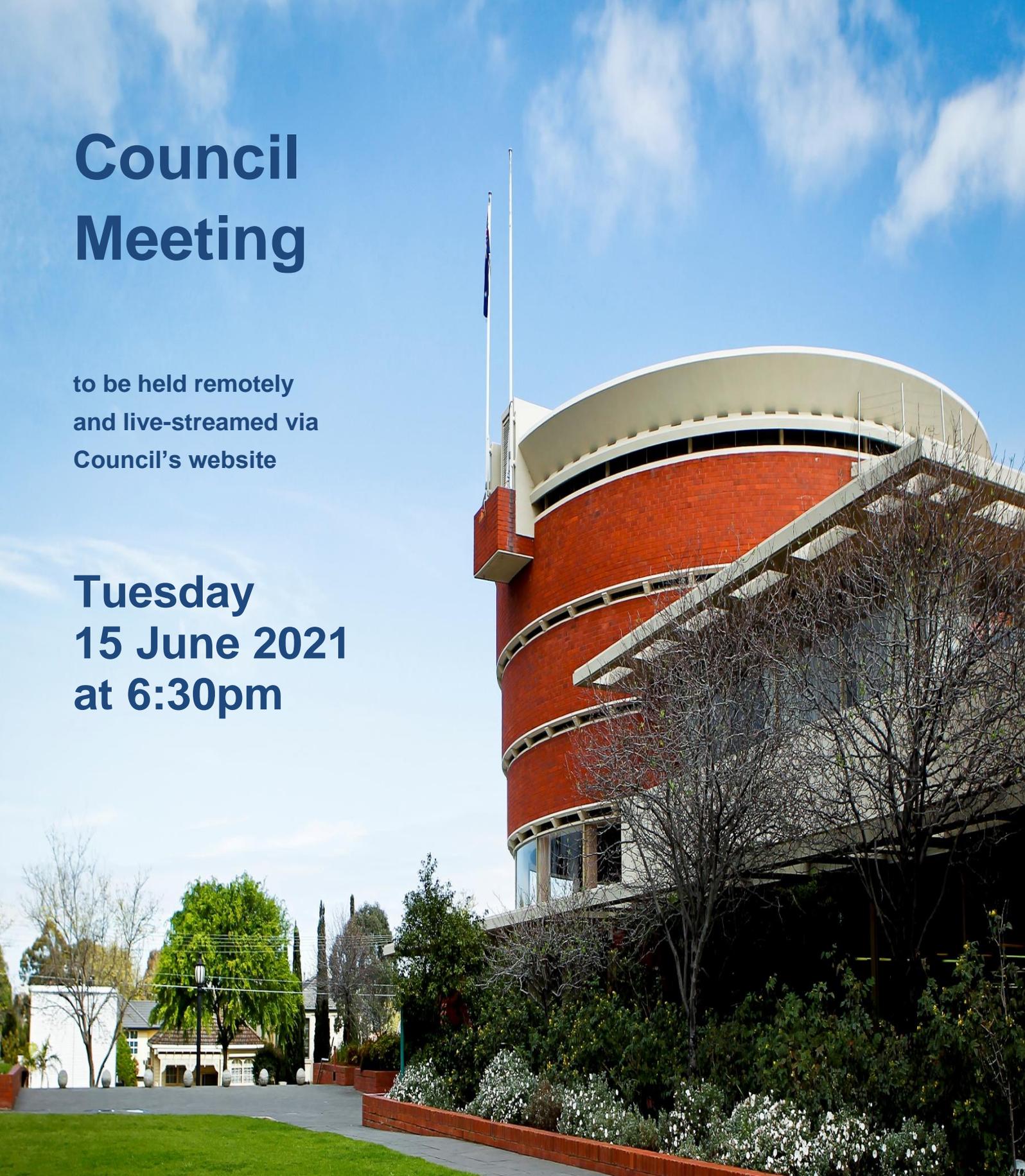


Council Meeting

to be held remotely
and live-streamed via
Council's website

Tuesday
15 June 2021
at 6:30pm



Late Agenda

Late Items

- 10. Reports by the Organisation
 - 10.21 Undergrounding Powerlines 3

10. Reports by the Organisation

10.21 UNDERGROUNDING POWERLINES

City Planning and Amenity - Development Services
File No: PSF/21/28 – Doc No: DOC/21/174129

Executive summary

Purpose and background

To update Council on the implementation of Council Plan action 5.3.1.23 – *Advocate for the undergrounding of powerlines.*

Key issues

The benefits of powerline undergrounding are well recognised, particularly in relation to the natural environment and amenity benefits from not needing to undertake significant tree pruning to achieve powerline clearance requirements. However, a significant barrier to widespread undergrounding of powerlines is accessing the funds required to transition from traditional pole and wire electricity networks.

Council officer activities to support the increased undergrounding of powerlines have focused on several key areas:

- embedding requirements for powerline undergrounding in planning permits for multi-dwelling developments
- investigating the regulatory model for electricity network businesses to identify advocacy approaches to embed undergrounding as a core business activity
- investigating broader funding sources for undergrounding of powerlines
- initiating detailed case studies so that the insights can guide broader advocacy activities and support local community engagement for special rates and charges schemes
- investigating the practicality of a special rates and charges scheme to fund local powerline undergrounding initiatives.

Undergrounding powerline permits in planning permits

This focus area has been fully implemented and is effectively 'Business as Usual'. Since December 2019, planning permits have included conditions requiring the removal of overhead powerlines. Planning permits for dual occupancies and three or more dwellings have included the requirement that all basic services to the site must be installed underground. It is estimated that the number of permits issued that include this requirement in the permit conditions is in the region of 300 to 400.

Permits for apartment buildings and developments where the site spans across more than one street address a further condition relating to public realm improvement plans has also been implemented. This requires the undergrounding of powerlines, NBN and cable TV cables on the power poles directly in front of the site. It is estimated that the number of permits issued with this condition is in the region of 20 to 30. The vast majority of these application have been located within our Major Activity Centres.

In addition, ad-hoc opportunities for undergrounding are also implemented where practical. For example, Officers have worked with the current property owner of the former CSIRO site to ensure the undergrounding the powerlines occurs along the Graham Road frontage and throughout the site as part of the future redevelopment.

Advocacy for electricity networks to undertake undergrounding as core activity

Council officers have completed investigations into the opportunities to leverage the electricity network regulatory framework to drive undergrounding. The investigations have concluded that it is extremely unlikely that advocacy will result in broad powerline undergrounding by the network businesses, unless the costs are comparable to BAU pole and wire costs.

As discussed later in this report, powerline undergrounding is typically found to require significant funding, compared to maintaining the traditional pole and wire network. As such, the local energy network business (United Energy) would need to recover these additional costs through their pricing determination process.

The pricing determination process is an important consideration, since United Energy capital programs and associated prices need to be approved by the Australian Energy Regulator (AER). In order for programs to be approved by the AER, United Energy needs to demonstrate that the majority of customers support the program and are prepared to pay for it through higher energy prices.

Electricity network company research in 2020 identified that the key issues for customers related to improved management of power supply outages, with limited customer focus on issues such as undergrounding. As a result, in the current United Energy pricing determination (2021–26), their focus is on network reliability, while also ensuring effective integration of roof top solar systems. The AER required a 3% reduction in United Energy network prices in 2021–22, highlighting the challenges with United Energy defending new programs.

While it appears unlikely that powerline undergrounding will be adopted in the short term as a core activity by the electricity network organisations, it is worthwhile Council Officers maintain a watching brief on undergrounding initiatives and the relative cost profiles. This will enable Council to continue to advocate for the benefits of undergrounding to be tested by the network organisations in their future customer research (indicatively 2023–24). If there is significant customer support and a small cost differential between undergrounding and poles and wire networks, inclusion in core network activities will become realistic.

There appears to be a low likelihood that State or Federal governments will pose obligations for the network companies to implement powerline undergrounding. Energy prices are a politically sensitive area, there are post covid economic challenges and there are existing vehicles for local communities to fund undergrounding if that is a local priority (further information provided below).

External funding sources

An investigation was completed into potential external funding sources, which identified that there were no dedicated grants available. There have historically been grant funds targeting powerline undergrounding such as the Powerline Replacement Fund, administered through The Department of Environment, Land, Water and Planning (DELWP). However, this fund was for powerlines in the highest risk bushfire areas being replaced with either insulated overhead or underground powerlines or new conductor technologies. The amount of \$200 million was made available for priority areas identified in conjunction with the Emergency Management Commissioner, Energy Safe Victoria, DELWP and technical experts. The funding was allocated primarily in rural municipalities.

Nevertheless, it may be worthwhile considering undergrounding during major projects such as streetscape upgrades and seeking external funding support for the broader project, to assist to offset the costs.

Detailed case studies of powerline undergrounding

Council officers have engaged with United Energy to establish the indicative costs of powerline undergrounding in a small residential street (consisting approximately 26 properties). The indicative costs are \$382k, involving:

- \$200K to underground existing United Energy Low Voltage overhead electrical assets for the entire street
- the costs include all associated design, drafting, negotiations and project management of the project by United Energy
- undergrounding customer's mains from the pit to their main switchboard is separate to the project and would cost an addition \$7K per property and would be carried out by a registered electrical contractor.

While these indicative costs are available, it was considered appropriate to undertake two detailed cast studies to further understand 1) the actual costs 2) the logistical challenges and 3) the avoided costs for United Energy. A detailed understanding of the specific avoided costs (maintenance and periodic pole and wire replacement), is particularly important to longer term advocacy in relation to undergrounding becoming a core activity of the energy network businesses.

The two detailed case studies are being undertaken on:

- Te Hongi Court, Beaumaris, which is a small court with a registered Significant Tree that is impacted by powerline pruning and 1-2 poles that would require undergrounding
- Harfleur Aveue, Beaumaris which is a small street with numerous street and private trees impacted by powerline pruning and would require 6-7 poles to be undergrounding.

The design and cost estimates are expected to be completed in July, which will enable the interest of the local residents to be tested and the broader implications understood.

Implementing special rates scheme

Given the challenges with advocacy to drive United Energy to undertake powerline undergrounding as core activity and the lack of government grant funding, the only credible short term pathway (assuming Council is not able to provide the significant funding required) is for targeted funding via the local community. The key elements of this program would involve:

- a local community expressing interest in powerline undergrounding in a street and funding United Energy investigations and design – typically in the order of \$3500 (Nb Council is currently driving these investigations for the 2 case study sites)
- United Energy contractors undertaking site investigations and completing a design and cost estimate. United Energy would then make a delivery funding offer, based on estimated delivery costs offset by network savings
- the local community directly funding United Energy's delivery funding offer or through a Council special rates scheme.

It is possible for Council to cover the upfront costs and to then recover the costs from the local community through establishing a special rates/charges scheme. The *Local Government Act 1989* (the Act) allows Victorian Councils to impose a special rate, a special charge, or a combination of both, for works or services on ratepayers who receive "special benefit" from these works or services.

An important aspect of Special Rates & Charges are that funds raised are exempt from Rate Capping, as the funds are both restricted in use, and in most cases they are effectively approved by those affected.

The capacity to levy a special rate or charge was adopted in Council's Rating Strategy in 2016; and states:

That Council considers the use of special rates and charges as an alternative funding source in instances that fit circumstances such as funding of specifically defined projects (e.g. streetscape works, stormwater drainage, upgrading of footpaths with non-standard materials and undergrounding of power lines) where special benefit can be shown to exist to, or a special request is received from, a grouping of property owners, or for raising funds for a dedicated purpose.

If a special charge is proposed, Council must resolve its intention to declare such a scheme. Sections 163-166 of the Act outlines:

- the process for proposing special rates and charges
- the receiving of submissions and objections
- the funding and receipting.

Property owners can appeal any decision to the Victorian Civil and Administrative Tribunal (VCAT). There is also a relevant Ministerial Guideline which was gazetted on 23 September 2004.

The level of interest from willing property owners would determine if the special charge should go ahead. The special charge could require varied options of contribution to the project, including Council contribution. The options would also consider timeframes for cost recovery, whether it is levied by flat charge, valuation, a charge per metre of frontage, or a combination. Generally, this would likely be aligned with the charges incurred, and could include the administrative costs incurred by Council in administering the scheme.

In order to implement a special rate or charge, Council is required to have adopted a Policy that addresses all the procedural requirements, including community engagement to demonstrate majority support for the scheme. It is noted that Bayside City Council currently does not have a Special Rate or Charge Policy. As such, before a scheme could be proposed Council would need to develop and adopt a Special Rate or Charge Policy to ensure compliance with the requirements of the Act.

Due to the significant work required to develop a Special Rates or Charges Policy and to then develop and implement a scheme (and arguably low likelihood of community support for the costs), it is proposed to progress this area through:

- completion of the detailed costs analysis and design for the two case study sites
- initial testing with local residents regarding the level of interest in funding the required costs for power line undergrounding
- if there is sufficient interest, undertaking the formal process to develop the policy and formally establish the special rates scheme
- in parallel, developing information for the community on the generic process to investigate and fund powerline undergrounding at other locations.

It is anticipated that the detailed case studies will be completed end July, with initial community testing completed end August and an update and recommendation on pursuing a Special Rates or Charges Policy in the October Council cycle.

Recommendation

That Council

1. notes the report
2. receives a further report at the October Council meeting with an update and recommendation on pursuing a Special Rates or Charges Policy.

Support Attachments

Nil

Considerations and implications of recommendation

Liveable community

Social

The undergrounding of powerlines is intended to result in a safer, more attractive and environmentally friendly streetscape thereby making the public spaces more enjoyable for everyone.

Natural Environment

Improvements to the public realm provide positive outcomes to the natural environment. Well designed streets and public spaces can deliver environmental and economic benefits through increased tree coverage, reduction in costs to maintain tree clearances and less chance of trees falling on overhead wires during bad weather events.

Climate Emergency

There are no negative climate emergency impacts associated with this report.

Built Environment

Improvements to the public realm provide positive outcomes to the built environment. Undergrounding of powerlines can remove potential traffic hazards and reduce the amount of power poles, which delivers an improved built environment through an improved power pole appearance and improved lighting. The amenity of all open spaces who chose to underground powerlines will be improved.

Customer Service and Community Engagement

Opportunities for comment from the community will be available when seeking interest from willing property owners to underground the powerlines. Further opportunities for comments will be available when proposing a potential underground relocation plan, including connections to properties. With the development of a robust opt in process and creation of an informative website location the community will be well informed of possible improvements available to them.

Human Rights

The implications of the report have been assessed and are not considered likely to breach or infringe upon, the human rights contained in the *Victorian Charter of Human Rights and Responsibilities Act 2006*. The future community engagement will allow for freedom of expression and for the community to take part in process and decision.

Governance

Officers involved in the preparation of this report have no conflict of interest.

Legal

There are no legal implications envisaged with this report; however, legal advice may be required to resolve specific land matters raised during consultation. Improvements to the public assets reduces risks for the community by providing new and improved infrastructure.

Finance

There is no budget allocated to fund the undergrounding of powerlines throughout the municipality. This report does not envisage any future costs for Council, except for officer time to facilitate future projects through a special rate or charge scheme. If funds are required, a capital bid will be made to a future capital process.

Links to Council policy and strategy

The improvement initiatives assist Council in achieving the following goal of the Council Plan 2017-2021:

Council will work together with the Bayside community to plan and deliver community infrastructure that responds to the changing needs of the Bayside community.

The Council Plan includes action 5.3.1.23 – Advocate for the undergrounding of powerlines.