

Meander Valley Council

W O R K I N G T O G E T H E R

# **AGENDA**

**COUNCIL MEETING**

**Tuesday 12 May 2015**

# COUNCIL MEETING VISITORS

Visitors are most welcome to attend Council meetings.

Visitors attending a Council Meeting agree to abide by the following rules:-

- Visitors are required to sign the Visitor Book and provide their name and full residential address before entering the meeting room.
- Visitors are only allowed to address Council with the permission of the Chairperson.
- When addressing Council the speaker is asked not to swear or use threatening language.
- Visitors who refuse to abide by these rules will be asked to leave the meeting by the Chairperson.

## SECURITY PROCEDURES

- Council staff will ensure that all visitors have signed the Visitor Book.
- A visitor who continually interjects during the meeting or uses threatening language to Councillors or staff, will be asked by the Chairperson to cease immediately.
- If the visitor fails to abide by the request of the Chairperson, the Chairperson shall suspend the meeting and ask the visitor to leave the meeting immediately.
- If the visitor fails to leave the meeting immediately, the General Manager is to contact Tasmania Police to come and remove the visitor from the building.
- Once the visitor has left the building the Chairperson may resume the meeting.
- In the case of extreme emergency caused by a visitor, the Chairperson is to activate the Distress Button immediately and Tasmania Police will be called.



PO Box 102,  
Westbury, Tasmania, 7303

Dear Councillors

I wish to advise that a general meeting of the Meander Valley Council will be held at the Westbury Council Chambers, 26 Lyall Street, Westbury, on *Tuesday 12 May 2015 at 1.30pm.*

Greg Preece  
**GENERAL MANAGER**

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**Evacuation and Safety:**

*At the commencement of the meeting the Mayor will advise that,*

- *Evacuation details and information are located on the wall to his left;*
- *In the unlikelyhood of an emergency evacuation an alarm will sound and evacuation wardens will assist with the evacuation. When directed, everyone will be required to exit in an orderly fashion through the front doors and go directly to the evacuation point which is in the car-park at the side of the Town Hall.*

Agenda for a general meeting of the Meander Valley Council to be held at the Council Chambers Meeting Room, 26 Lyall Street, Westbury, on Tuesday 12 May 2015 at 1.30pm.

**PRESENT:**

**APOLOGIES:**

**IN ATTENDANCE:**

**CONFIRMATION OF MINUTES:**

Councillor xx moved and Councillor xx seconded, *“that the minutes of the Ordinary and Closed meeting of Council held on Tuesday 21 April, 2015, be received and confirmed.”*

**COUNCIL WORKSHOPS HELD SINCE THE LAST MEETING:**

Date :	Items discussed:
28 April 2015	<ul style="list-style-type: none"><li>• Capital Works Bus Tour</li><li>• Presentation – Parks &amp; Wildlife Service</li><li>• Presentation – Tas Police</li><li>• Westbury Recreation Ground Building Upgrade</li><li>• 2015-16 Draft Capital Works Programme</li></ul>

**DECLARATIONS OF INTEREST:**

**TABLING OF PETITIONS:**

## **PUBLIC QUESTION TIME**

### **General Rules for Question Time:**

Public question time will continue for no more than thirty minutes for 'questions on notice' and 'questions without notice'.

At the beginning of public question time, the Chairperson will firstly refer to the questions on notice. The Chairperson will ask each person who has a question on notice to come forward and state their name and where they are from (suburb or town) before asking their question(s).

The Chairperson will then ask anyone else with a question without notice to come forward and give their name and where they are from (suburb or town) before asking their question.

If called upon by the Chairperson, a person asking a question without notice may need to submit a written copy of their question to the Chairperson in order to clarify the content of the question.

A member of the public may ask a Council officer to read their question for them.

If accepted by the Chairperson, the question will be responded to, or, it may be taken on notice as a 'question on notice' for the next Council meeting. Questions will usually be taken on notice in cases where the questions raised at the meeting require further research or clarification. These questions will need to be submitted as a written copy to the Chairperson prior to the end of public question time.

The Chairperson may direct a Councillor or Council officer to provide a response.

All questions and answers must be kept as brief as possible.

There will be no debate on any questions or answers.

In the event that the same or similar question is raised by more than one person, an answer may be given as a combined response.

Questions on notice and their responses will be minuted.

Questions without notice raised during public question time and the responses to them will not be minuted or recorded in any way with exception to those questions taken on notice for the next Council meeting.

Once the allocated time period of thirty minutes has ended, the Chairperson will declare public question time ended. At this time, any person who has not had the opportunity to put forward a question will be invited to submit their question in writing for the next meeting.

### **Notes**

- Council officers may be called upon to provide assistance to those wishing to register a question, particularly those with a disability or from non-English speaking cultures, by typing their questions.
- The Chairperson may allocate a maximum time for each question, depending on the complexity of the issue, and on how many questions are asked at the meeting. The Chairperson may also indicate when sufficient response to a question has been provided.
- Limited Privilege: Members of the public should be reminded that the protection of parliamentary privilege does not apply to local government, and any statements or discussion in the Council Chamber or any document, produced are subject to the laws of defamation.

For further information please telephone 6393 5300 or visit [www.meander.tas.gov.au](http://www.meander.tas.gov.au)

## **PUBLIC QUESTION TIME**

### **1. QUESTIONS TAKEN ON NOTICE – APRIL 2015**

### **2. QUESTIONS WITHOUT NOTICE – MAY 2015**

## **COUNCILLOR QUESTION TIME**

### **1. COUNCILLOR QUESTIONS TAKEN ON NOTICE – APRIL 2015**

#### **1.1 Cr Ian Mackenzie**

I believe that there was an energy efficiency (CEEP) funding forum organised recently at Bracknell with no advertising at the Bracknell Roadhouse, Bracknell Hotel the venue prior to the event or Bracknell School newsletter and with the Meander Valley Gazette not distributed at Bracknell.

- a) How many community members attended?
- b) How was it advertised? and
- c) Will Council organise another event/forum for Bracknell community with appropriate advertising.

*Responses by Rick Dunn, Director Economic Development & Sustainability*

- (a) None*
- (b) The Workshops were promoted via Council's website, Facebook, Twitter, Meander Valley Gazette February, Meander Valley Gazette March, Examiner Newspaper, email distribution through networks, Community News and posters which in this instance was displayed at the Bracknell Roadhouse but was not on display on the noticeboard on the day of the workshop.*
- (c) Additional workshops are not planned.*

#### **1.2 Cr Bob Richardson**

- a) LGAT former CEO's comments to the Legislative Council

The Examiner (Friday, 17<sup>th</sup> April, 2015) quoted former LGAT CEO (incorrectly referred to as LGAT "President") as saying:-

He was unsure the deputy mayor's role was needed.

Upon what basis might he make that comment, and has the issue been formally discussed by the Association?

Mr Garcia did raise other issues which had been of concern/interest by many Councillors of many years, including:

- Compulsory voting,
- The general managers electoral roll, and
- Combatting relatively high numbers of informal votes.

He suggested these issues be explored before next Council elections.

Will Council initiate Councillor and community views (soon) to be prepared for any Government initiatives?

Mr Garcia also indicated that "there ought to be much more transparent process to ensure Council decisions made – particularly about planning – were all above board in the future". This implies that such decisions may not have been in the past.

In the Meander Valley, can Council representatives recall any decision regarding planning where a Council, or Councillors, have not been "above board"? And do not the interest provisions of the Local Government Act provide for such scrutiny?

*Response by Greg Preece, General Manager*

*The Mayor has spoken with Mr Garcia regarding his comments and Mr Garcia has advised that he was appearing before a Legislative Council Select Committee. His response to a series of questions was taken out of context and misquoted.*

*No there has been no discussion by the Association regarding the role of Deputy Mayor.*

*Council will need to determine if it wants to seek the community views regarding any changes if proposed by the Government.*

*There are no known issues regarding planning decision at Council.*

*Yes the interest provisions of the Act should provide scrutiny providing Councillors or staff declares their interests.*

#### **b) Cost of Collection of Clubs & Societies Council "Rents"**

Will Council officers please provide information in relation to the hire/rent/lease of Council facilities by both formally constituted community clubs and organisations and by occasional users over the course of a year?

*Response by Malcolm Salter, Director Corporate Services*

*For the financial year 2013-14 the total hire/rent/lease income for facilities subject to the Recreation Pricing Policy was \$158,653.*

Could we also be provided with the cost to Council of collection of those rentals/leases/hirings including staff time and on-costs (SGC, annual, long-service and other leave provisions), overheads (office space/recurrent costs, vehicles).

(These are to be considered in conjunction with the policy related to Council recoupment of costs.)

*Response by Malcolm Salter, Director Corporate Services*

*It is not possible to provide an actual cost as the calculation and collection of the charges forms just a minor part of the duties of various employees eg Facility managers will discuss*



*and explain pricing as part of an overall discussion on use, risk management and other hirer obligations. Occasionally senior management (annualised salary) will need to meet with new clubs/users or where the policy is being implemented for the first time, particularly if there is disagreement or further negotiation on use and price; the Receptionist/Cashier calculates the charge using financial data within the spreadsheet model developed when the pricing policy was introduced; the Sundry Debtors Clerk will raise the actual account during the regular account raising run or occasionally this will be ad hoc. If pricing policy duties were removed the employee costs including office space and most vehicle costs would remain.*

*However if a "guesstimate" is provided then a figure (including labour on costs) of \$15,000 to \$20,000 p.a. would appear reasonable.*

**c) Price of Replacement of Facilities**

What would be the replacement price to re-build the Deloraine Community (Alveston Drive) Complex now – from scratch, including planning permits, design etc.?

(It is not expected that estimates be accurate to the dollar, but so within, say, the nearest \$100,000.)

*Response by Dino De Paoli, Director Infrastructure Services*

*The reinstatement value to re-build the Deloraine Community (Alveston Drive) Complex now would be in the order of approximately \$5.0M based on Council's Insurance Valuation Report prepared by Herron Todd White in June 2014. The reinstatement value includes professional fees and costs for statutory building compliance. Council's planning application fee would be in the order of \$5,000.*

**d) Remuneration of Senior Staff, Meander Valley Council**

Since the escalation of discussion regarding Council amalgamation, amongst issues upon which society, including elected representatives, ratepayers, "politically aware" groups and individuals and the media, have begun to focus has been that of senior Council staff.

To enable objective and informed discussion, the quantum of remunerative package of directors, mayors, deputy mayors and Councillors -

Will Council please publish the remunerative packages (including salaries, vehicle, communications equipment, superannuation and other fringe benefits) or:

- The Mayor
- The Deputy Mayor
- Councillors
- General Manager and
- Individual Directors?

Can similar remunerations be obtained for a larger Council, eg Launceston, for comparable positions?

*Response by Greg Preece, General Manager*

*Yes the information is provided in the following table for the last financial year. This information is sourced from the Annual Reports of Council, Launceston City Council and the LGAT website.*

Position	Meander Valley	Launceston City
Mayor	\$48,378	\$116,107
Deputy-Mayor	\$26,952	\$54,597
Councillor	\$13,823	\$33,173
General Manager	\$180,000 to \$190,000	\$290,000 to \$310,000
Senior Staff	\$160,000 to \$170,000 \$140,000 to \$150,000 \$130,000 to \$140,000	\$190,000 to \$210,000 \$170,000 to \$190,000 \$150,000 to \$170,000
Expenses paid to Mayor, Deputy-Mayor, Councillors/Alderman	\$27,727	\$25,092

### **1.3 Cr Tanya King**

(a) Supplementary to Councillor Mackenzie's question, is it correct that Bracknell residents do not receive the Meander Valley Gazette? If so why?

(b) Can Council please make arrangements for Bracknell residents to receive the Gazette?

(c) Are there any other communities in the Municipality who are missing out?

*Response by Rick Dunn, Director Economic Development & Sustainability*

*(a) We have been advised that there are no mail deliveries to homes in Bracknell, the Gazette is delivered to the Post Office, where residents collect it.*

*(b) Refer to (a).*

*(c) According to the producers of the Gazette, it is delivered to all homes in the municipality, unless residents live in an area such as Bracknell where it is delivered to the Post Office for collection by the residents.*

## **2. COUNCILLOR QUESTIONS ON NOTICE – MAY 2015**

### **3.1 Cr Deb White**

In the interests of keeping Councillors informed, could the Director for Development Services include an update of the Cat Management Committee's progress in the Briefing Notes next month?

*Response by Martin Gill, Director Development Services*

*Yes an update will be included in the May Briefing Report.*

## **3. COUNCILLOR QUESTIONS WITHOUT NOTICE – MAY 2015**

**DEPUTATIONS BY MEMBERS OF THE PUBLIC**

**NOTICE OF MOTIONS BY COUNCILLORS**

## CERTIFICATION

"I certify that with respect to all advice, information or recommendation provided to Council with this agenda:

1. the advice, information or recommendation is given by a person who has the qualifications or experience necessary to give such advice, information or recommendation, and
2. where any advice is given directly to Council by a person who does not have the required qualifications or experience that person has obtained and taken into account in that person's general advice the advice from an appropriately qualified or experienced person."



**Greg Preece**  
**GENERAL MANAGER**

"Notes: S65(1) of the Local Government Act requires the General Manager to ensure that any advice, information or recommendation given to the Council (or a Council committee) is given by a person who has the qualifications or experience necessary to give such advice, information or recommendation. S65(2) forbids Council from deciding any matter which requires the advice of a qualified person without considering that advice."

## COUNCIL MEETING AS A PLANNING AUTHORITY

The Mayor advises that for items DEV1 to DEV3 Council is acting as a Planning Authority under the provisions of the *Land Use Planning and Approvals Act 1993*.

## **DEV 1 MINI HYDRO POWER STATION, TRANSMISSION LINES AND ASSOCIATED INFRASTRUCTURE – MERSEY FOREST ROAD, MERSEY FOREST**

### **1) Introduction**

This report considers the planning application PA\12\0183 for a Discretionary Use - Utilities (mini hydro power station, transmission line and associated infrastructure), for land located at Mersey Forest Road, Mersey Forest (PID:2530822).

### **2) Background**

#### **Applicant**

G 7 Generation

#### **Planning Controls**

The subject land is controlled by the Meander Valley Interim Planning Scheme 2013 (referred to this report as the 'Scheme').

#### **Use & Development**

The application proposes to construct a mini hydro power station adjacent to the Fish River, Mersey Forest, approximately 50m east of Mersey Forest Road (see attached plans).

The hydro power station will have a footprint of approximately 1600m<sup>2</sup> and will include two turbine houses, a site store, site office and ablution facility. All buildings will be constructed from shipping containers. Access will be taken from the Walls of Jerusalem Road via a proposed access track, 116 metres in length. The station will have an installed capacity of 2 megawatts.

A small weir will be constructed within the Fish River, upstream of the proposed station and a 995 metre pipeline will carry a continuous water supply for power generation. The change in elevation between the weir and the station will provide sufficient pressure to rotate the turbine generators using a relatively small volume of stored water.

The power station site and water pipeline is to be located within an approved 53.2 hectare lease on Crown Land. Two easements have also been approved by Forestry Tasmania to export the power to the Fisher Power Station.

Connection to the electricity grid will require the construction of a transmission line, consisting of standard 10m power poles with 3 vertically mounted cables. Two possible cable routes have been proposed. Route 1 runs adjacent to the Mersey Forest Road to the Rowallan Dam, then follows an existing transmission line to the south of a privately owned title known as Dublin Plains. From here the line follows an un-named forestry track off Dublin Road before re-converging with the transmission line corridor to the north of the private parcel and connecting to the State grid at the Fisher Power Station.

Route 2 runs adjacent to Mersey Forest Road for approximately 3km, then follows Dublin Road. The route leaves Dublin Road to the south of Dublin Plains, via the same un-named forestry track, and then follows the same path as Route 1.

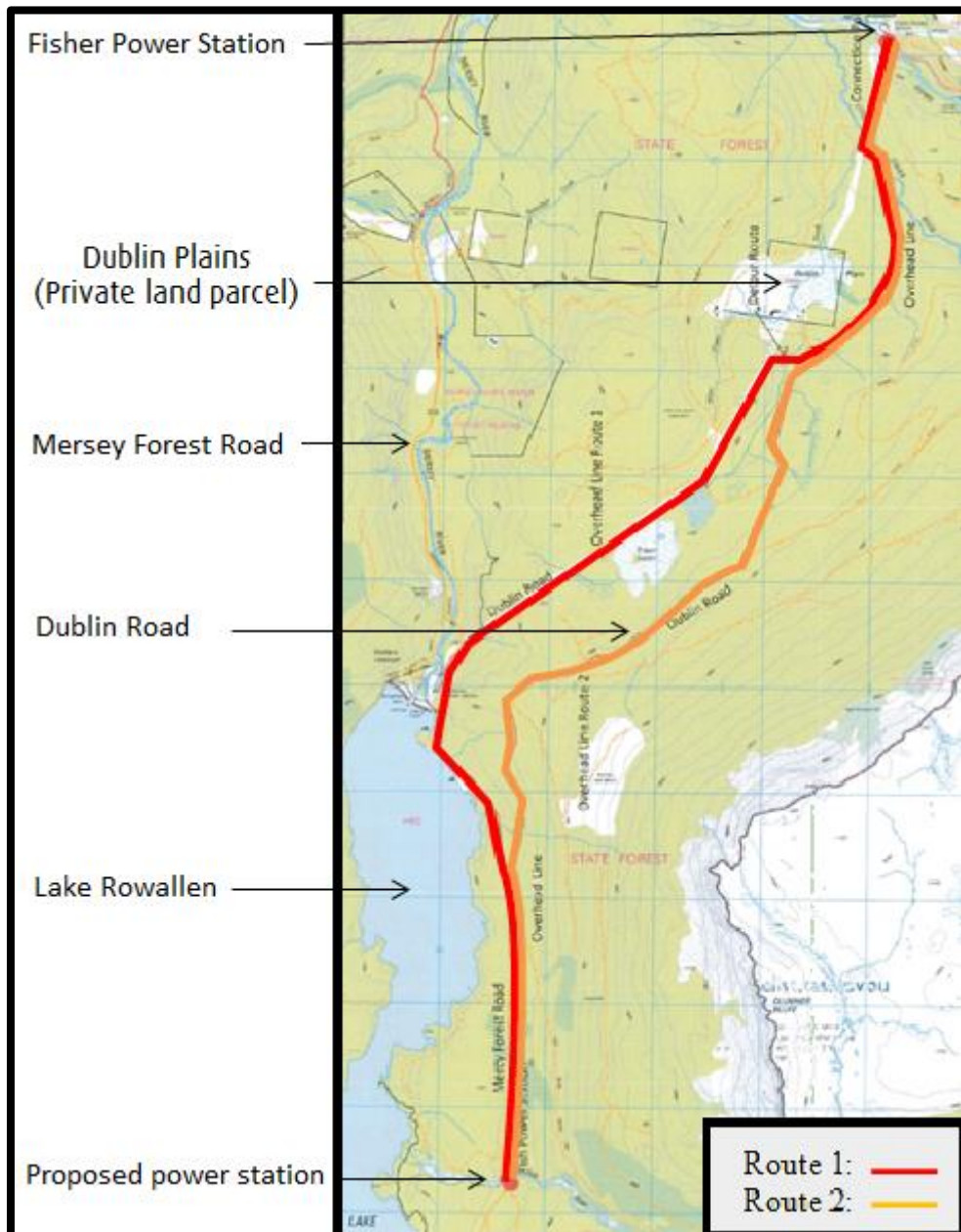


Figure 1: Proposed transmission line routes.

The development will require the clearance of approximately 7040m<sup>2</sup> of vegetation for the power station, pipeline and access, with an additional 6400m<sup>2</sup> (approximate) required for the transmission lines.

**Site & Surrounds**

The proposed development is located across 2 titles. The lot to the east has an area of 6964ha, is administered by the Crown and described as Future Potential Production Forest. The hydro power station, access and pipeline will be located on this title. The land to the

west has an area of 3200ha and is managed by Forestry Tasmania. The proposed transmission lines will largely be located on this title.

The site of the mini hydro power station is located approximately 5km to the south of the Lake Rowallan dam, 50m from where the Mersey Forest Road crosses the Fish River at the base of Howells Bluff.

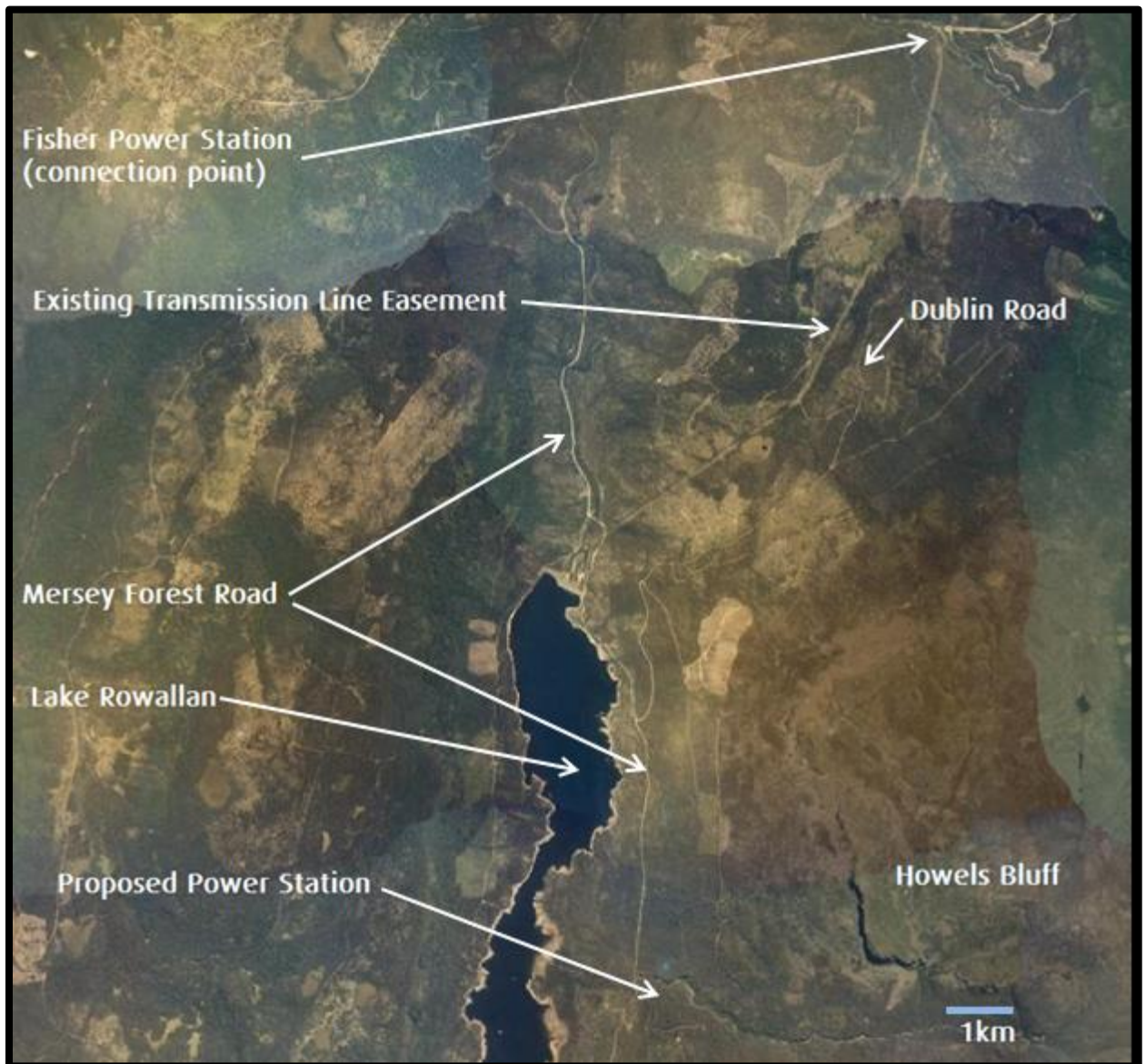


Photo 1: Aerial photo showing the approximate location of the development and surrounding land use (Source: The List 2015).

The surrounding land is largely owned by Forestry Tasmania, Hydro Tasmania and the Crown - Parks and Wildlife. The land contains a mix of intact native forest, regrowth forest and plantation forestry, intersected by electricity transmission lines. Lake Rowallan and Lake Parangana are located to the west and north-west of the property respectively. The Walls of Jerusalem National Park is to the east.



**Photo 2: Rowallan Dam, looking west from Mersey Forest Road.**



**Photo 3: Lake Rowallan, looking south-west.**



**Photo 4: Existing transmission lines, adjacent to Rowallan Dam, looking north-east.**





Photo 5: Parangana Dam and Power Station to the north-west of the development site, viewed from Mersey Forest Road.

The land is intersected by a number of Forestry Tasmania maintained, public roads, including Mersey Forest Road, Dublin Road and the Walls of Jerusalem Track.

While most of the surrounding land is owned by public corporations, the subject property envelopes three privately owned parcels of land. These parcels take access from Dublin Road and contain shacks and outbuildings occupied intermittently.

### Statutory Timeframes

Valid application:	12 February 2015
Advertised:	21 February 2015
Closing date for representations:	11 March 2015
Request for further information:	Not Applicable
Information received:	Not Applicable
Extension of time granted:	13 April 2015
Extension of time expires:	13 May 2015
Decision Due:	12 May 2015

### **3) Strategic/Annual Plan Conformance**

Council has a target under the Annual Plan to assess applications for discretionary uses within statutory timeframes.

#### **4) Policy Implications**

Not Applicable

#### **5) Statutory Requirements**

Council must process and determine the application in accordance with the Land Use Planning Approval Act 1993 (LUPAA) and its Planning Scheme. The application is made in accordance with Section 57 of LUPAA.

#### **6) Risk Management**

Risk is managed by the inclusion of appropriate conditions on the planning permit.

#### **7) Consultation with State Government and other Authorities**

The applicant has the written consent of a person appropriately delegated by the Minister of the Crown.

The application was referred to the Assessment Committee for Dams Construction (DPIPWE) under Section 156F of the Water Management Act 1999. It is anticipated that conditions for dam safety will be provided by the Assessment Committee for Dam Construction will be provided following its meeting on the 8 May 2015. Under the Water Management Act 1999, any planning permit issued must include these conditions.

#### **8) Community Consultation**

The application was advertised for the 14-day period required under legislation. Two representations were received (attached documents). The representations are discussed in the assessment below.

#### **9) Financial Impact**

Not Applicable.

#### **10) Alternative Options**

Council can either approve the development, with or without conditions, or refuse the application.

#### **11) Officers Comments**

##### **Zone**

The subject property is zoned Rural Resource (see Figure 2 below). The land surrounding the site is located in the Rural Resource and Environmental Management Zones.

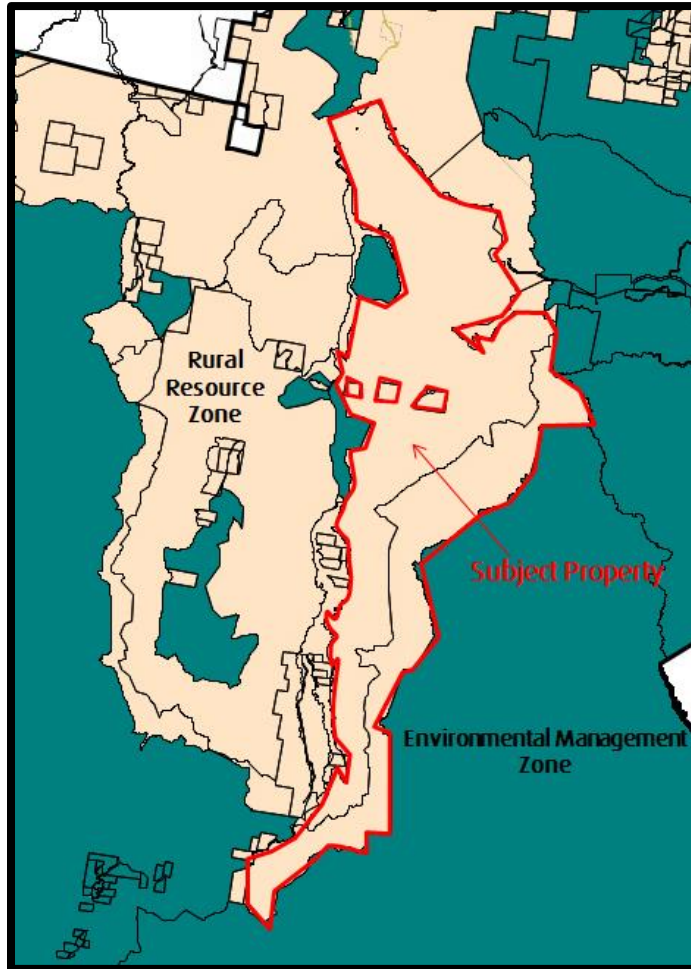


Figure 2: Zoning of subject titles and surrounding land, showing the approx. property boundaries.  
Use Class

In accordance with Table 8.2 the proposed Use Class is Utilities.

In the Rural Resource Zone, use for Utilities (if for new uses) is specified in Section 26.2 – Rural Resource Zone Use Table as being Discretionary.

**Zone Purpose**

**26.1.1 Zone Purpose Statements**

*26.1.1.1 To provide for the sustainable use or development of resources for agriculture, aquaculture, forestry, mining and other primary industries, including opportunities for resource processing.*

*26.1.1.2 To provide for other use or development that does not constrain or conflict with resource development uses.*

*26.1.1.3 To provide for economic development that is compatible with primary industry, environmental and landscape values.*

*26.1.1.4 To provide for tourism-related use and development where the sustainable development of rural resources will not be compromised.*

#### *26.1.2 Local Area Objectives*

##### *a) Primary Industries:*

*Resources for primary industries make a significant contribution to the rural economy and primary industry uses are to be protected for long-term sustainability. The prime and non-prime agricultural land resource provides for variable and diverse agricultural and primary industry production which will be protected through individual consideration of the local context. Processing and services can augment the productivity of primary industries in a locality and are supported where they are related to primary industry uses and the long-term sustainability of the resource is not unduly compromised.*

##### *b) Tourism*

*Tourism is an important contributor to the rural economy and can make a significant contribution to the value adding of primary industries through visitor facilities and the downstream processing of produce. The continued enhancement of tourism facilities with a relationship to primary production is supported where the long-term sustainability of the resource is not unduly compromised. The rural zone provides for important regional and local tourist routes and destinations such as through the promotion of environmental features and values, cultural heritage and landscape. The continued enhancement of tourism facilities that capitalise on these attributes is supported where the long-term sustainability of primary industry resources is not unduly compromised.*

##### *c) Rural Communities*

*Services to the rural locality through provision for home-based business can enhance the sustainability of rural communities. Professional and other business services that meet the needs of rural populations are supported where they accompany a residential or other established use and are located appropriately in relation to settlement activity centres and surrounding primary industries such that the integrity of the activity centre is not undermined and primary industries are not unreasonably confined or restrained.*

#### *26.1.3 Desired Future Character Statements*

*The visual impacts of use and development within the rural landscape are to be minimised such that the effect is not obtrusive.*

#### **Comment:**

The application proposes to construct a mini hydro power station. While the use for Utilities is Discretionary in the Rural Resource Zone, the use will not constrain or conflict with existing resource development activities on the subject or adjacent land. The subject property has historically been used for forestry based activities and contains a mix of natural vegetation cover and regrowth forest. Conversion of land to non-resource development uses will be minimal, with the proposed transmission lines running adjacent

to existing infrastructure and cleared corridors. With minimal conversion of land, the impacts on resource development activities will be negligible.

The proposed development will not have a significant impact on existing recreational and tourism activities in the area. Lake Rowallan is used for recreational boating and fishing, the Mersey Forest White Water Reserve provides kayaking facilities, while the Mersey Forest Road and Walls of Jerusalem Track provide access to the Walls of Jerusalem National Park. Many of these uses share access and infrastructure with utilities and resource development uses in the area.

The land and surrounding titles have been subject to major utilities infrastructure development in the past. Features such as the Rowallan Power Station, Parangana Power Station and associated transmission lines have a significant visual presence along Mersey Forest Road and make a significant contribution to the character of the area. While the proposed transmission lines following Mersey Forest Road will be visible, the impact is reasonable within the context of existing development and infrastructure on the subject property and surrounding land.



Photo 6: Mersey Forest Road to the north of Lake Rowallan, showing existing transmission lines.

The privately owned power station and infrastructure will allow for economic development that is compatible with existing land uses in the area. The environmental and visual impacts of the development are further discussed below.

## Applicable Standards

This assessment considers all applicable planning scheme standards.

In accordance with the statutory function of the State Template for Planning Schemes (Planning Directive 1), where use or development meets the Acceptable Solutions it complies with the planning scheme, however it may be conditioned if considered necessary to better meet the objective of the applicable standard.

Where use and development relies on performance criteria, discretion is used for that particular standard. To determine whether discretion should be exercised to grant approval, the proposal must be considered against the objectives of the applicable standard and the requirements of Section 8.10.

A brief assessment against all applicable Acceptable Solutions of the Rural Resource Zone and applicable Codes is provided below. This is followed by a more detailed discussion of any applicable Performance Criteria and the objectives relevant to the particular discretion.

## Compliance Assessment

The following table is an assessment against the applicable standards of the Meander Valley Interim Planning Scheme 2013.

26.0 Rural Resource Zone		
Scheme Standard	Comment	Assessment
26.3.1 Uses if not a Single Dwelling		
A1	Utilities is a discretionary use.	Relies on Performance Criteria
A2	Utilities is a discretionary use. However the development is not located on prime agricultural land.	Not Applicable
A3	Utilities is a discretionary use.	Relies on Performance Criteria
A4	Utilities is a discretionary use.	Relies on Performance Criteria
A5	Utilities is a discretionary use and the use will not be located in an existing building.	Relies on Performance Criteria
26.4.1 Building Location and Appearance		
A1	The proposed buildings associated with the power station will be constructed within shipping containers with a maximum height of 2.83m. The transmission lines will be supported by	Complies

	standard 10m high single poles. The maximum height in the Rural Resource Zone is 12m.	
A2	The site for the development is spread over two titles, with the proposed station being located within 50m of the boundary shared between the titles.  The proposed transmission lines will be constructed to the north-east boundary where they will connect to the Fisher Power Station.	Relies on Performance Criteria

### E1 Bushfire-Prone Areas Code

Scheme Standard	Comment	Assessment
E1.5.2.1 Standards for hazardous use		
A1	No Acceptable Solution	Relies on Performance Criteria
A2	The application is accompanied by a Bushfire Hazard Management Plan prepared by an accredited practitioner and is certified as having a tolerable level of risk.	Complies

### E4 Road and Railway Assets Code

Scheme Standard	Comment	Assessment
E4.6.1 Use and road or rail infrastructure		
A1	The development is not a sensitive use and is not within 50m of a Category 1 or 2 Road.	Not Applicable
A2	Road has a speed limit of 80km	Not Applicable
A3	The development will not increase the annual average daily traffic movements at any existing access by more than 10%.	Complies
E4.7.2 Management of road access and junctions		
A1	Road speed limit is more than 60km/h.	Not applicable.
A2	Includes a new access	Relies on Performance Criteria
E4.7.4 Sight Distance at accesses, junctions and level Crossings		
A1	The proposed access provides sight distances of 50m along the Walls of Jerusalem Road to the west and 110m to the east of the proposed access. In accordance with Table E4.7.4, with a speed limit of 80km/h, the access	Relies on Performance Criteria

	requires a direct line of sight up to 175m.	
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### E6.0 Car Parking and Sustainable Transport Code

Scheme Standard	Comment	Assessment
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#### E6.6.1 Car Parking Numbers

A1	Sufficient space is provided for one parking space. There is no set requirement for Utilities.	Complies
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#### E6.7.1 Construction of Car Parking Spaces and Access Strip

A1	<p>The car parking area, access track and pipeline track will be constructed in gravel. The plans show appropriate drainage provisions along the length of the tracks.</p> <p>Car parking is not sealed or line marked.</p>	Relies on Performance Criteria
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#### E6.7.2 Design and Layout of Car Parking

A1	Parking is located behind building line and turning provisions are not provided in the frontage.	Complies
A2	<p>The car parking area will be graded to provide a flat parking area within the fenced compound.</p> <p>Parking is at 90° to the access track and there is sufficient room to allow a vehicle to manoeuvre onsite and exit in a forward direction.</p> <p>Car parking and manoeuvring will have a slope less than 10%. A cut will be utilised to create a level surface at the power station site.</p> <p>Access is wider than the Table E6.2 prescribes.</p> <p>Parking complies with AS2890.1</p>	Relies on Performance Criteria

### E8.0 Biodiversity Code

Scheme Standard	Comment	Assessment
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#### E8.6.1 Habitat and Vegetation Management



A1	The application includes development in an area of priority habitat and does not include a Forest Practices Plan.	Relies on Performance Criteria
A2	The application includes the removal of native vegetation and does not include a Forest Practices Plan.	Relies on Performance Criteria

### E9.0 Water Quality Code

Scheme Standard	Comment	Assessment
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#### E9.6.1 Development and Construction Practices and Riparian Vegetation

A1	The proposal requires clearance of some vegetation within 50m of the Fish River.	Relies on Performance Criteria
A2	The application involves the extraction and discharge of water into the existing watercourse. Environmental flows will be maintained at a minimum of 10%. The existing watercourse will continue to run along its natural course and will not be filled, piped or channelled.	Complies
A3	The watercourse will not be filled, piped or channelled.	Complies

#### E9.6.2 Water Quality Management

A1	Stormwater is not connected to a reticulated stormwater system, however all surface runoff collected by the buildings and access will be diverted through a sump prior to discharge.	Complies
A2	The application includes a new point source discharge.	Relies on Performance Criteria
A3	No acceptable solution. Application Does not include a quarry or borrow pit.	Not applicable

#### E9.6.3 Construction of Roads

A1	No Acceptable Solutions. Access track construction will occur within 50m of a watercourse.	Relies on Performance Criteria
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#### E9.6.4 Access

A1	The proposed development will provide direct access to the watercourse.	Relies on Performance Criteria
A2	The proposed development will provide direct access to the watercourse.	Relies on Performance Criteria

## Performance Criteria

<b>26.0 Rural Resource Zone</b>
<b>26.3.1 Uses if not a Single Dwelling</b>
<p><b>Objective</b></p> <ul style="list-style-type: none"><li>a) <i>To provide for an appropriate mix of uses that support the Local Area Objectives and the location of discretionary uses in the rural resources zone does not unnecessarily compromise the consolidation of commercial and industrial uses to identified nodes of settlement or purpose built precincts.</i></li><li>b) <i>To protect the long term productive capacity of prime agricultural land by minimising conversion of the land to non-agricultural uses or uses not dependent on the soil as a growth medium, unless an overriding benefit to the region can be demonstrated.</i></li><li>c) <i>To minimise the conversion of non-prime land to a non-primary industry use except where that land cannot be practically utilised for primary industry purposes.</i></li><li>d) <i>Uses are located such that they do not unreasonably confine or restrain the operation of primary industry uses.</i></li><li>e) <i>Uses are suitable within the context of the locality and do not create an unreasonable adverse impact on existing sensitive uses or local infrastructure.</i></li><li>f) <i>The visual impacts of use are appropriately managed to integrate with the surrounding rural landscape.</i></li></ul>
<p><b>Performance Criteria P1</b></p> <p><i>P1.1 It must be demonstrated that the use is consistent with local area objectives for the provision of non-primary industry uses in the zone, if applicable; and</i></p> <p><i>P1.2 Business and professional services and general retail and hire must not exceed a combined gross floor area of 250m<sup>2</sup> over the site.</i></p>
<p><b>Comment</b></p> <p>The proposed development is consistent with the Local Area Objectives of the Rural Resource Zone (see assessment above). The proposed use and development will not constrain resource development activities and is suitable for the area given the dominance of existing utilities infrastructure. The amount of land to be converted to non-agricultural uses will be marginal due to the transmission lines running adjacent to existing infrastructure, where primary industry activities are already constrained.</p> <p>The visual impacts of the development are considered to be reasonable and are further discussed below.</p> <p>The development is consistent with the objective and supports a mix of uses appropriate to the context of the locality.</p>

***Performance Criteria P3***

*The conversion of non-prime agricultural to non-agricultural use must demonstrate that:*

*a) the amount of land converted is minimised having regard to:*

*i) existing use and development on the land; and*

*ii) surrounding use and development; and*

*iii) topographical constraints; or*

*b) the site is practically incapable of supporting an agricultural use or being included with other land for agricultural or other primary industry use, due to factors such as:*

*i) limitations created by any existing use and/or development surrounding the site; and*

*ii) topographical features; and*

*iii) poor capability of the land for primary industry; or*

*c) the location of the use on the site is reasonably required for operational efficiency.*

**Comment**

The subject property is used for forestry and also hosts existing electrical infrastructure. The proposed development will not unreasonably constrain forestry activities.

The amount of land converted from resource development to accommodate the development has been minimised. While the transmission lines will occupy approximately 64,000m<sup>2</sup> of the land area, they will run adjacent to existing roads and electricity corridors and will result in the marginal expansion of these corridors. Resource development is already relatively limited in proximity to these corridors.

The location of the development is reasonably required for operational reasons. The power station is located to take advantage of the fall in the land and the Fish River to provide a water supply under sufficient pressure to generate electricity. Utilising the natural flow and fall effectively eliminates the need for extensive dam construction. The proximity to the Walls of Jerusalem Track also provides easy access to the site and minimises the need for extensive roads and access tracks. Transmission lines are necessary to transport electricity and their location along existing cleared corridors will minimise the amount of clearance required.

The development is consistent with the objective.

***Performance Criteria P4***

*It must be demonstrated that:*

*a) emissions are not likely to cause an environmental nuisance; and*

*b) primary industry uses will not be unreasonably confined or restrained from conducting normal operations; and*

*c) the capacity of the local road network can accommodate the traffic generated*

*by the use.*

**Comment**

Emissions from the power station are not likely to cause a nuisance and will not impact primary industry activities on the subject or adjoining land. Emissions will be limited to a small amount of noise, which will largely be absorbed by the surrounding forest. Noise pollution is regulated by the Environmental Management and Pollution Control Act. There are no major tourist facilities, habitable buildings or sensitive uses in the vicinity of the development. An 800m wide buffer composed of mature native forest creates an effective buffer between the station and the start of the Walls of Jerusalem Walking Track.

The local road network has sufficient capacity to cope with the traffic generated by the development. A Traffic Impact Assessment has been submitted with the application demonstrating that the road is sufficient to handle a small increase in vehicle numbers during the construction phase. As the power station will be automated, the ongoing use will generate no more than the occasional maintenance worker.

***Performance Criteria P5***

*It must be demonstrated that the visual appearance of the use is consistent with the local area having regard to:*

- a) the impacts on skylines and ridgelines; and*
- b) visibility from public roads; and*
- c) the visual impacts of storage of materials or equipment; and*
- d) the visual impacts of vegetation clearance or retention; and*
- e) the desired future character statements.*

**Comment:**

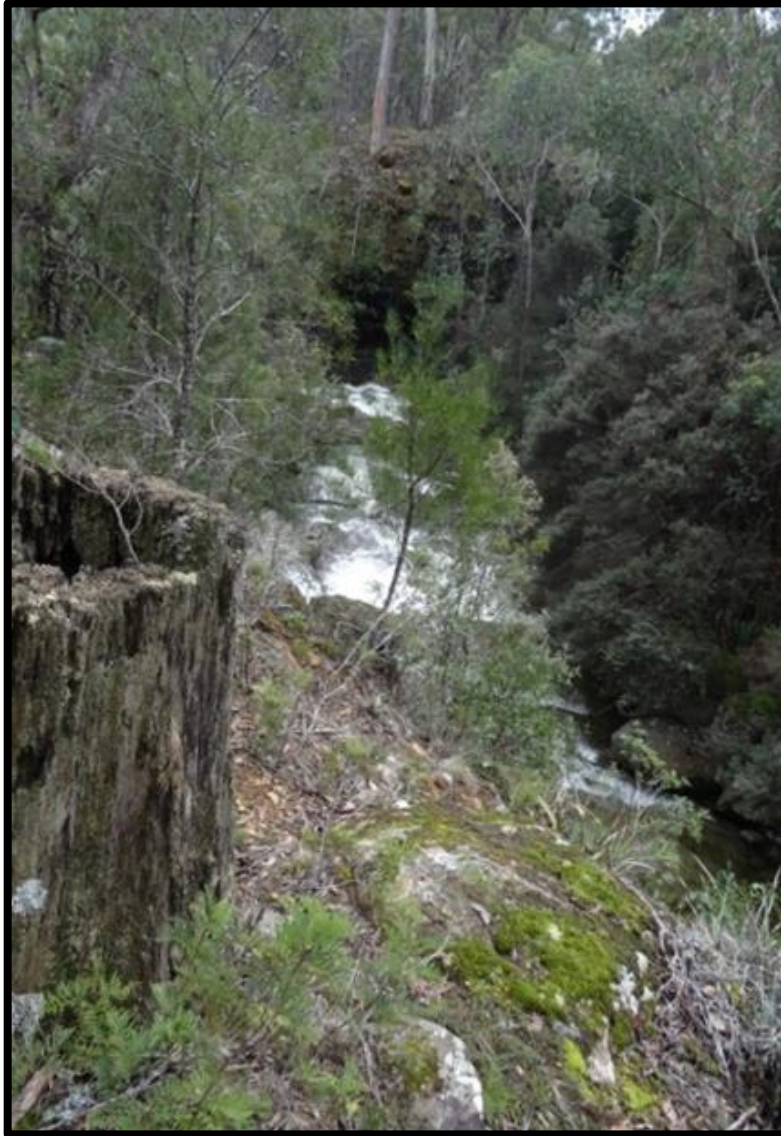
The visual impact of the proposed power station will be minimal. The station itself will be made up of 4 large shipping containers which will not penetrate above the surrounding vegetation. While the station requires the removal of approximately 1600m<sup>2</sup> of vegetation, the clearance will be largely obscured from Mersey Forest Road and the Walls of Jerusalem Road by a vegetation buffer of around 50m between the buildings and the road. As the land rises to the east of Mersey Forest Road in the vicinity of the station, views will be largely blocked by natural topography and standing vegetation.



Photo 7: Looking east from Mersey Forest Road toward the site of development, showing existing vegetation buffer.

Direct views of the station may be possible from the bridge where the Mersey Forest Road crosses the Fish River, however topography and the form and configuration of buildings within the complex will substantially reduce its visibility and bulk. The station will be located on a natural plateau, elevated above the bridge and will be cut into the slope of the land. Being constructed of shipping containers, site buildings will also be relatively low to the ground. The crest of the river bank and retained riparian vegetation, between the station and the river, will largely screen the development. Finished in appropriate colours, the site buildings will generally blend in with vegetation and will not be readily discernible. To ensure this occurs it is considered appropriate that the container buildings be conditioned to be coloured in natural tones.

The outfall from the pipeline is located around a small bend in the river and will not be visible from the bridge, however, it is anticipated that transmission lines leaving the station will result in some visible clearance of vegetation.



**Photo 8: Approximate site of pipeline outfall, looking west toward the bridge where the Mersey Forest Road crosses the Fish River.**



**Photo 9: Approximate site of power station, viewed from Mersey Forest Road on bridge over Fish River.**

The power station will have minimal visibility from the Walls of Jerusalem Walking Track. The track traverses through mature eucalyptus forest, skirting Howells Bluff until emerging on the Central Plateau. During the ascent, views of Lake Rowallan and the site of development are heavily restricted by tall vegetation. Once on the plateau, direct views into the valley are blocked by Howells Bluff.

While the development area in the vicinity of Dublin Plains is visible from Devils Gullet, additional landscape scarring will be negligible and visual impacts are satisfactorily mitigated by the significant distance separation.

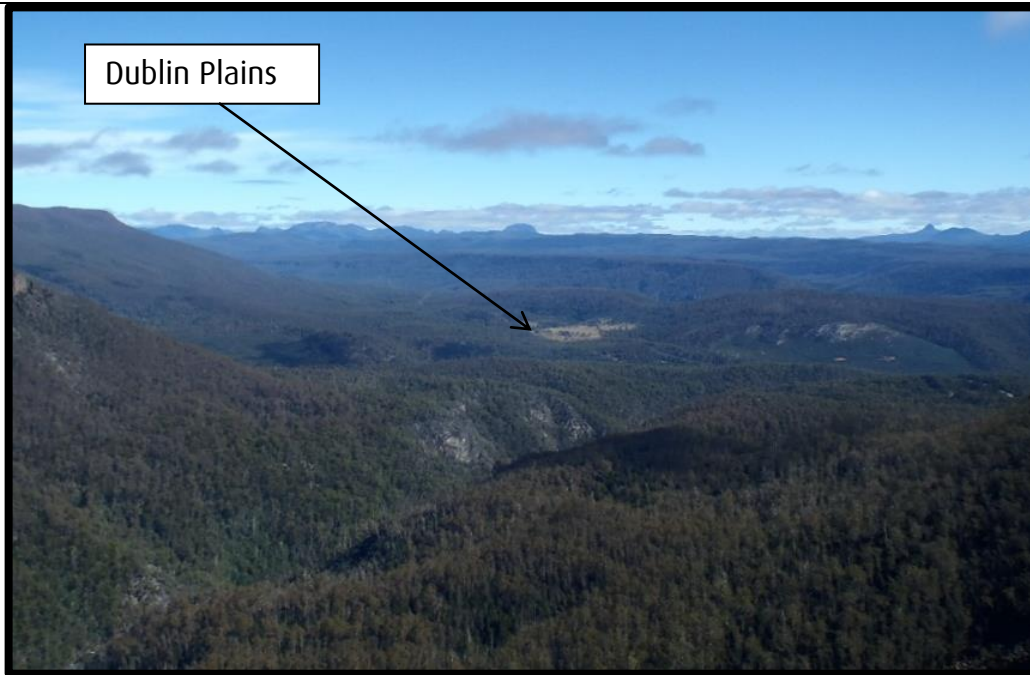


Photo 10: View of development site in the vicinity of Dublin Plains from Devils Gullet.

The visual impact of the development is consistent with the local area. The land surrounding Lakes Rowallan and Parangana supports significant power generation and transmission infrastructure, including the lakes and dam infrastructure, access tracks, power stations and transmission lines. Transmission lines running adjacent to roads are a common feature in rural areas.

**Recommended Condition:**

*The materials and finishes of all structures at the power station site are to be non-reflective and in tones that blend in with the landscape, to the satisfaction of Council's Town Planner.*

**26.4.1 Building Location and Appearance**

**Objective**

To ensure that the:

- a) ability to conduct extractive industries and resource development will not be constrained by conflict with sensitive uses; and
- b) development of buildings is unobtrusive and complements the character of the landscape.

**Performance Criteria P2**

*Buildings must be setback so that the use is not likely to constrain adjoining primary industry operations having regard to:*

- a) the topography of the land; and
- b) buffers created by natural or other features; and
- c) the location of development on adjoining lots; and
- d) the nature of existing and potential adjoining uses; and
- e) the ability to accommodate a lesser setback to the road having regard to:



- i) the design of the development and landscaping; and*
- ii) the potential for future upgrading of the road; and*
- iii) potential traffic safety hazards; and*
- iv) appropriate noise attenuation.*

**Comment:**

The proposed transmission lines will continue to the northern boundary of the property, where they will connect directly to the grid at the Fisher Power Station. The land to the immediate north of the transmission line is used for electricity generation and the connecting transmission line and associated poles are consistent with this use. The transmission lines within 50m of the northern boundary will be located within the existing transmission line easement and will only be visible from the Fisher Power Station. The land is owned by Hydro and the area within the vicinity of the transmission lines is not publically accessible.

As the development site spans two titles, the proposed power station is located less than 50m from the shared property boundary. The proposed development does not comprise a sensitive use and will not constrain ongoing forestry activities on either of the titles.

The development is consistent with the objective. The location near the boundary will not impact the use of the adjoining title or constrain resource development.

**E1.0 Bushfire Prone Areas Code**

**E1.5.2.1 Standards for hazardous use**

***Objective***

*Hazardous uses should only be located in bushfire-prone areas in exceptional circumstances. Where a hazardous use is to be located in a bushfire-prone area, bushfire protection measures must reflect the risk arising from the bushfire-prone vegetation and take into consideration the characteristics, nature and scale of the use to:*

- prevent the hazardous use from contributing to the spread or intensification of bushfire;*
- limit the potential for bushfire to be ignited on the site;*
- prevent the exposure of people and the environment to dangerous substances as a consequence of bushfire; and*
- reduce the risk to fire fighters.*

***Performance Criteria P1***

*Hazardous uses must demonstrate that they are of an overriding benefit to the community and that there is no suitable alternative site.*

**Comment**

Electricity is an essential utility used in everyday society. The sustainable nature of hydro generation further demonstrates the overriding benefits of this application. The proposed site has been chosen due to its proximity to a water supply with adequate fall, road access and existing power generation facilities.

The lines will be fitted with an earth fault protection system, which will de-energize the cabling should a short circuit occur as a result of fallen trees, branches, degradation of insulation or any other means

Due to the extent of infrastructure generally required for electricity generation it is difficult to accommodate such infrastructure in urban areas or non-bushfire prone areas. The proposed power lines are no different than the thousands of overhead transmission lines used throughout the state.

The development is consistent with the Objective and includes mitigation measures to limit the potential for bushfires to be ignited at the site.

#### E4.0 Road and Railway Assets Code

##### E4.7.2 Management of road access and junctions

###### **Objective**

*To ensure that the safety and efficiency of road and rail infrastructure is not reduced by the creation of new accesses and junctions or increased use of existing accesses and junctions.*

###### **Performance Criteria P3**

*For limited access roads and roads with a speed limit of more than 60km/h:*

- a) access to a category 1 road or limited access road must only be via an existing access or junction or the use or development must provide a significant social and economic benefit to the State or region; and*
- b) any increase in use of an existing access or junction or development of a new access or junction to a limited access road or a category 1, 2 or 3 road must be for a use that is dependent on the site for its unique resources, characteristics or locational attributes and an alternate site or access to a category 4 or 5 road is not practicable; and*
- c) an access or junction which is increased in use or is a new access or junction must be designed and located to maintain an adequate level of safety and efficiency for all road users.*

###### **Comment**

Mersey Forest Road is not a Category 1, 2 or 3 Road.

A Traffic Impact Assessment prepared by a qualified Traffic Engineer has been submitted with the application and Forestry Tasmania has provided a statement testifying to its adequacy. The assessment indicates that the risk associated with the new access is minimal, taking into account the low traffic volumes utilising

the access, the relatively low volumes of existing traffic on the Walls of Jerusalem Road and the generally slow speed of vehicles on the gravel road.

The assessment recommends the applicant submit a Traffic Management Plan to manage increased vehicle movements during the construction phase of the development. As Forestry Tasmania is the Road Authority in respect to all roads impacted by the development, it is appropriate that road management and the requirement for a Traffic Management Plan be negotiated with Forestry Tasmania as a condition of the lease or consent.

The development is consistent with the Objective and has demonstrated that the safety and efficiency of the road will not be impacted as a result of the proposed development.

#### **E4.7.4 Sight Distance at Accesses, Junctions and Level Crossings**

##### ***Objective***

*To ensure that use and development involving or adjacent to accesses, junctions and level crossings allows sufficient sight distance between vehicles and between vehicles and trains to enable safe movement of traffic.*

##### ***Performance Criteria P1***

*The design, layout and location of an access, junction or rail level crossing must provide adequate sight distances to ensure the safe movement of vehicles.*

##### **Comment**

A Traffic Impact Assessment was submitted with the application. While 110m direct sight distance is available to the east, available sight distance to the west is 50m.

The assessment concludes that the available sight distance is satisfactory taking into consideration the following:

- The design and operating speed of the road is closer to 30-40km/h, requiring a Safe Stopping Distance of only 40m.
- Low traffic volumes and lower risk of collision.
- The low design and operating speed of the road would reduce the severity of any collision.
- The new access will be used infrequently due to automation of the power station.

While the removal of some roadside vegetation to the west of the access is identified as a means to further improve sight distances, the assessment concludes existing sight distances are considered adequate.

The development is consistent with the objective and provides sufficient sight distances to allow the safe movement of traffic.

#### **E6.0 Car Parking and Sustainable Transport**

### E6.7.1 Construction of Car Parking Spaces and Access Strip

**Objective**

*To ensure that car parking spaces and access strips are constructed to an appropriate standard.*

**Performance Criteria P1**

*All car parking, access strips manoeuvring and circulation spaces must be readily identifiable and constructed to ensure that they are useable in all weather conditions.*

**Comment**

The proposed development is located in a relatively remote area, will not be accessible to the general public and will be visited infrequently due to the automated nature of the power station. The proposed gravel tracks and parking area are considered to be designed and drained to a standard appropriate for the proposed use. Line marking is not considered warranted, due to the frequency of visitation and limited access.

Access and parking are considered to be consistent with the Objective and demonstrate an appropriate standard of construction.

### E6.7.2 Design and Layout of Car Parking

**Objective**

*To ensure that car parking and manoeuvring space are designed and laid out to an appropriate standard.*

**Performance Criteria P2:**

*Car parking and manoeuvring space must:*

- a) be convenient, safe and efficient to use having regard to matters such as slope, dimensions, layout and the expected number and type of vehicles; and*
- b) provide adequate space to turn within the site unless reversing from the site would not adversely affect the safety and convenience of users and passing traffic.*

**Comment:**

The proposed access is more than 10% wider than the standards prescribed by Table E6.2. The application is accompanied by a Traffic Impact Assessment addressing the suitability and safety of the access. The width of the access is not raised as a source of concern in regard to the safety and efficiency of the access. As the Road Authority, Forestry Tasmania have not raised any concerns regarding the width of the access.

The access width is considered to be consistent with the Objective.

**E8.0 Biodiversity Code**

**E8.6.1 Habitat and Vegetation Management**

***Objective***

*To ensure that:*

- a) vegetation identified as having conservation value as habitat has priority for protection and is appropriately managed to protect those values; and*
- b) the representation and connectivity of vegetation communities is given appropriate protection when considering the impacts of use and development.*

***Performance Criteria P1***

*Clearance or disturbance of native vegetation within priority habitat may be allowed where a flora and fauna report prepared by a suitably qualified person demonstrates that development does not unduly compromise the representation of species or vegetation communities in the bioregion having regard to the:*

- a) quality and extent of the vegetation or habitat affected by the proposal, including the maintenance of species diversity and its value as a wildlife corridor; and*
- b) means of removal; and*
- c) value of riparian vegetation in protecting habitat values; and*
- d) impacts of siting of development (including effluent disposal) and vegetation clearance or excavations, in proximity to habitat or vegetation; and*
- e) need for and adequacy of proposed vegetation or habitat management; and*
- f) conservation outcomes and long-term security of any offset in accordance with the General Offset Principles for the RMPS, Department of Primary Industries, Parks, water and Environment.*

**Comment:**

The proposed development requires the clearance of approximately 71,040m<sup>2</sup> of native vegetation, including areas identified by the Planning Scheme as being priority habitat (see Figure 2 below).

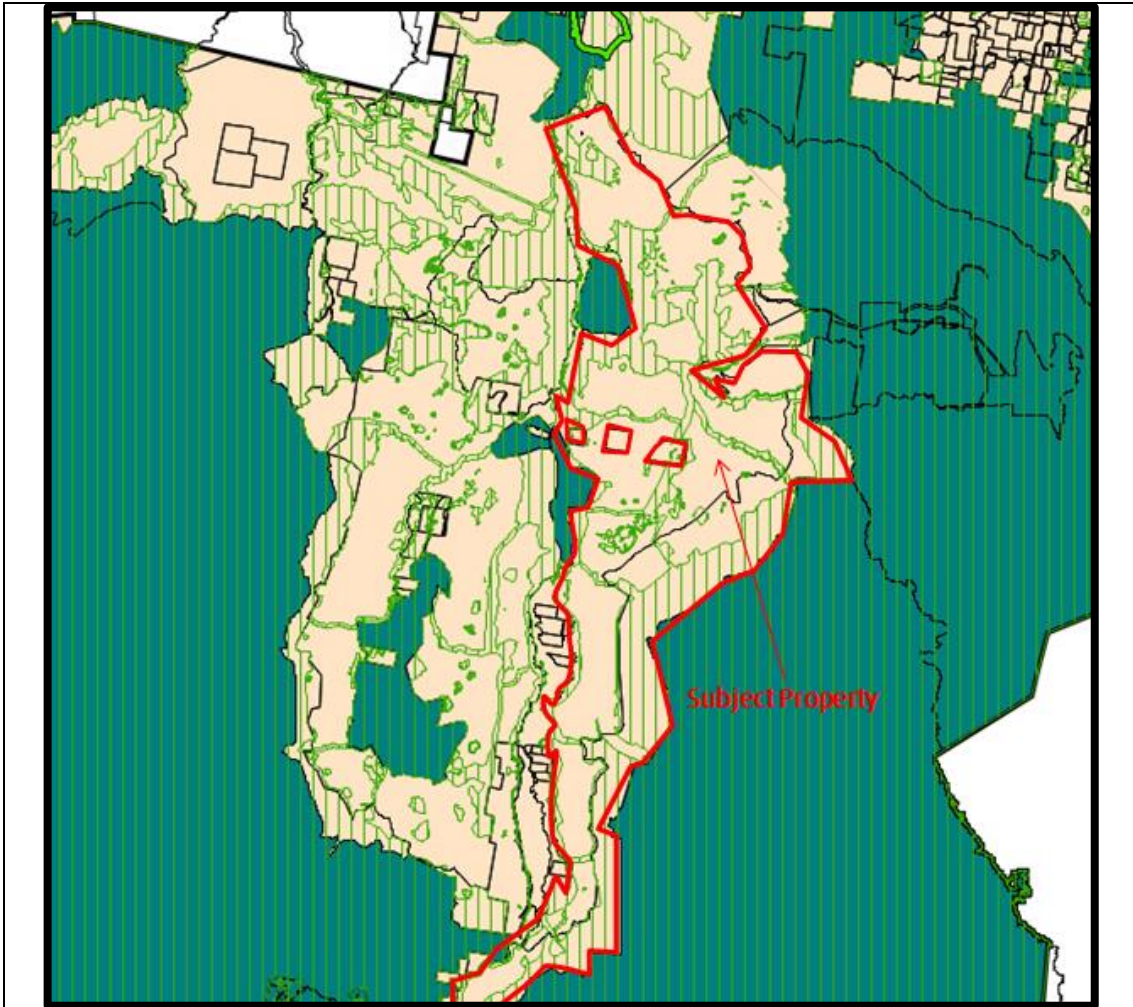


Figure 2 – Scheme overlays showing Priority Habitat



Photo 11: Typical view of vegetation to be removed at the power station site.

The application is accompanied by a Flora and Fauna Report prepared by Lark and Creese, demonstrating its compliance with the Performance Criteria. The report is based on a site survey undertaken by the author in November 2014 and supplemented by a State Forest Activity Assessment, previously undertaken by ECOtas.

At the time of the survey no species listed under the Tasmanian *Threatened Species Protection Act 1995* or the Commonwealth's *Environmental Protection Biodiversity and Conservation Act 1999* were identified within the development footprint. One threatened vegetation community, *Sphagnum* peatland, is located within proposed transmission line Route 1, listed within the Tasmanian *Nature Conservation Act 2002*, however no specific protection measures are recommended. The report concludes that the proposed works will not compromise the viability or connectivity of vegetation communities in the area.

The Priority Habitat overlay encompasses riparian vegetation at the power station site and 4 additional sites along Dublin Road. A *Poa Grasslands* community, identified as Priority Habitat and Listed under the Tasmanian *Nature Conservation Act 2002* is located within 200m of the transmission lines, however is unlikely to be impacted by the proposed development.

The property also contains potential habitat for 5 threatened fauna species that have been identified within a 15km of the site, however no dens or hollows were readily identified within the footprint during the site survey. The development consists of a relatively small footprint, in previously logged forest and adjacent to existing infrastructure. The loss of vegetation on the margins of existing roads and infrastructure corridors will not impact on the survival of threatened flora or fauna species.

As vegetation removal is largely adjacent to existing roads and easements, access will largely be from existing roads and will not require excessive track construction. Vegetation removal will be in accordance with the Construction Environment Operation Management Plan and disturbance beyond the areas identified for clearance will be minimal. A Forest Practices Plan will also be required for clearance along the transmission line corridors.

As indicated in the State Forest Activity Assessment, the loss of vegetation types is not considered to exceed the thresholds set by the Permanent Native Forest Estate Policy. No offset for the loss of vegetation is required in accordance with the *General Offset Principles* outlined in Tasmania's *Resource Management Planning System*.

Given the expanse of contiguous habitat on the site and surrounding land, the proposed vegetation removal is relatively small. While Priority Habitat is identified within areas to be cleared, the proposal will not negatively impact on the survival of threatened fauna or flora communities and does not unreasonably reduce connectivity between vegetated areas.

The proposal is consistent with the objectives and will not result in a loss of habitat connectivity or representation of species.

**Performance Criteria P2**

**P2.1**

*Clearance or disturbance of native vegetation must be consistent with the purpose of this Code and not unduly compromise the representation of species or vegetation communities of significance in the bioregion having regard to the:*

- a) quality and extent of the vegetation or habitat affected by the proposal, including the maintenance of species diversity and its value as a wildlife corridor; and*
- b) means of removal; and*
- c) value of riparian vegetation in protecting habitat values; and*
- d) impacts of siting of development (including effluent disposal) and vegetation clearance or excavations, in proximity to habitat or vegetation; and*
- e) need for and adequacy of proposed vegetation or habitat management; and*
- f) conservation outcomes and long-term security of any offset in accordance with the General Offset Principles for the RMPS, Department of Primary Industries, Parks, Water and the Environment.*

**Comment**

Removal of native vegetation in general has been discussed under Performance Criteria P1 and is considered to comply with the objectives.

**E9.0 Water Quality Code**

**E9.6.1 Development and Construction Practices and Riparian Vegetation**

**Objective**

*To protect the hydrological and biological roles of wetlands and watercourses from the effects of development.*

**Performance Criteria**

*Native vegetation removal must submit a soil and water management plan to demonstrate:*

- a) revegetation and weed control of areas of bare soil; and the management of runoff so that impacts from storm events up to at least the 1 in 5 year storm are not increased; and*
- b) that disturbance to vegetation and the ecological values of riparian vegetation will not detrimentally affect hydrological features and functions.*

**Comment**



The Tasmanian *Conservation of Freshwater Ecosystem Values* database indicates no significant conservation values within the vicinity of the proposed development.

The Construction Environment Operation Management Plan addresses the potential impacts of the development on the hydrological and biological roles of aquatic ecosystems and includes rehabilitation of disturbed riparian areas.

### **E9.6.2 Water Quality Management**

#### ***Objective***

*To maintain water quality at a level which will not affect aquatic habitats, recreational assets, or sources of supply for domestic, industrial and agricultural uses.*

#### ***Performance Criteria P2:***

##### *P2.1*

*New and existing point source discharges to wetlands or watercourses must implement appropriate methods of treatment or management to ensure point sources of discharge:*

- a) do not give rise to pollution as defined under the Environmental Management and Pollution Control Act 1994; and*
- b) are reduced to the maximum extent that is reasonable and practical having regard to:
  - i) best practice environmental management; and*
  - ii) accepted modern technology; and**
- c) meet emission limit guidelines from the Board of Environmental Management and Pollution Control in accordance with the State Policy for Water Quality Management 1997.*

##### *P2.2*

*Where it is proposed to discharge pollutants into a wetland or watercourse, the application must demonstrate that it is not practicable to recycle or reuse the material.*

#### **Comment**

The outfall from the proposed penstock will discharge back into the Fish River to the immediate north of the power station. The water is only required for the mechanical rotation of the turbines and will pass through a closed system with very little opportunity for contamination.

In order to slow the speed of the water and to reduce erosion risks, a concrete and stone chute will be constructed at the discharge point. Water entering the Fish River will be travelling at slower speeds than the river and will be at similar temperatures.

The site requires cut and fill within 50m of the Fish River to create a flat

construction area. The plans indicate an open drain will be constructed around the site, collecting stormwater from the excavated. Stormwater will then be directed to a sump and discharged overland.

The use of a sump and overland dispersal will allow sediment and contaminants to settle prior to entering the watercourse.

As the application does not propose to discharge pollutants into the watercourse and opportunities for contamination are limited, no additional treatment measures are considered warranted.

The development is consistent with the objective and will not impact water quality in the Fish River.

### **E9.6.3 Construction of Roads**

#### ***Objective***

*To ensure that roads, private roads or private tracks do not result in erosion, siltation or affect water quality.*

#### ***Performance Criteria P1***

*Road and private tracks constructed within 50m of a wetland or watercourse must comply with the requirements of the Wetlands and Waterways Works Manual, particularly the guidelines for siting and designing stream crossings.*

#### **Comment**

The application proposes the construction of two roads, the site access track and the maintenance track adjacent to the pipeline.

A Construction Environmental and Operational Management Plan has been submitted with the application identifying mitigation controls to minimise impacts on the natural environment during construction and operation of the site. The plan specifically addresses and provides management prescriptions for water quality management during and after construction and incorporates the provisions of the *Wetlands and Waterways Works Manual*. The applicant has also stated that the roads will be constructed to comply with the requirements of the *Wetlands and Waterways Works Manual*.

The application does not propose any new river crossings.

The development is consistent with the objective and the required tracks will be constructed in accordance with the *Wetlands and Waterways Works Manual*.

### **E9.6.4 Access**

#### ***Objective***

*To facilitate appropriate access at suitable locations whilst maintaining the*

<i>ecological, scenic and hydrological values of watercourses and wetlands.</i>
<p><b>Performance Criteria P1</b></p> <p><i>New access points to wetlands and watercourses are provided in a way that minimises:</i></p> <ul style="list-style-type: none"> <li><i>a) their occurrence; and</i></li> <li><i>b) the disturbance to vegetation and hydrological features from use or development.</i></li> </ul>
<p><b>Comment</b></p> <p>Access points to the Fish River will be limited to the intake and outfall points associated with the pipeline. Clearance of riparian vegetation will be limited to the minimum required to facilitate the construction and maintenance of the pipeline infrastructure.</p> <p>The application is consistent with the objective and provides access only as necessary to facilitate the development and with minimal vegetation removal.</p>
<p><b>Performance Criteria P2</b></p> <p><i>Accesses and pathways are constructed to prevent erosion, sedimentation and siltation as a result of runoff or degradation of path materials.</i></p>
<p><b>Comment</b></p> <p>The <i>Construction Environmental and Operational Management Plan</i> makes specific provision for the monitoring and management of stormwater, water quality and erosion across the site. The plan requires erosion control measures for all areas of exposed soil and to remain in place until the site is stable or revegetated. The prescriptions of this plan are considered adequate to manage access to prevent erosion and sedimentation at access points to the Fish River.</p> <p>The application is consistent with the objective and ensures that access points will be managed to prevent erosion and protect water quality.</p>

## **Representations**

Two representations were received during the advertising period (see attached documents).

Issues raised in the representations include:

- Visual impact of development - vegetation clearance and overhead transmission lines. Particularly impacts on Mersey Forest Road, Dublin Road and the private property known as Dublin Plains.
- Preference for underground cables.
- Disturbance of root zones of neighbouring trees.

- Concerns regarding the adequacy of 5m vegetation clearance for overhead lines and the requirement for a Forest Practices Plan (FPP).
- Lack of consideration of non-declared weeds and thistle control in general on Mersey Forest Road.
- Concerns regarding illegal access to private property for maintenance purposes.
- Desire for vegetation remediation works adjacent to tracks and roads along the proposed transmission line route.

**Comment:**

- Visual Impacts of Transmission Lines

The land in the vicinity of Lake Rowallan and the subject property is substantially disturbed as a result of resource development and utilities infrastructure. The hydro dams, lakes and transmission lines have a significant visual presence in the landscape. Those areas maintaining native vegetation cover are largely subject to ongoing forestry. Much of the forest on the east side of Lake Rowallan is composed of native regrowth, while areas of clear-fell are clearly visible on the west side. While the area remains relatively scenic, it cannot be described as a pristine environment.

The proposal requires vegetation removal and the installation of overhead transmission lines, which will be highly visible from Mersey Forest Road. However, due to the significant presence of such infrastructure in the area and the dominant land uses, the visual impacts are not considered to be unreasonable.

Standard overhead transmission lines are a common feature in the area and already run adjacent to Mersey Forest Road for much of the route between Lake Parangana and Lake Rowallan (see Photo 6 above and Photo 14 below).



Photo 12: Mersey Forest Road to the south of Rowallan Dam, showing vegetation typically found along the verges.



Photo 13: Mersey Forest Road to the north of Lake Rowallan, showing existing transmission lines.



**Photo 14: Mersey Forest Road to the north of Lake Rowallan, showing existing transmission lines.**

Underground transmission lines are not considered warranted. Transmission lines are typically erected above ground in rural areas and are a common feature throughout the local government area and State. The vegetation disturbance required to install and maintain underground lines will also be greater than that required for overhead lines. The use of overhead lines will also allow for the retention and regrowth of some understory species below 3m in height.

The transmission lines will also have minimal visibility from the private title known as Dublin Plains. Both proposed routes entirely bypass the title to the east, following an unnamed Forestry track. The route is more than 360m from an existing shack on the title and an extensive vegetation buffer exists between the transmission lines and the Dublin Plains title (see Figure 4 and Photo 15). The transmission line will be mounted on standard 10m poles and will be below the height of the existing vegetation.

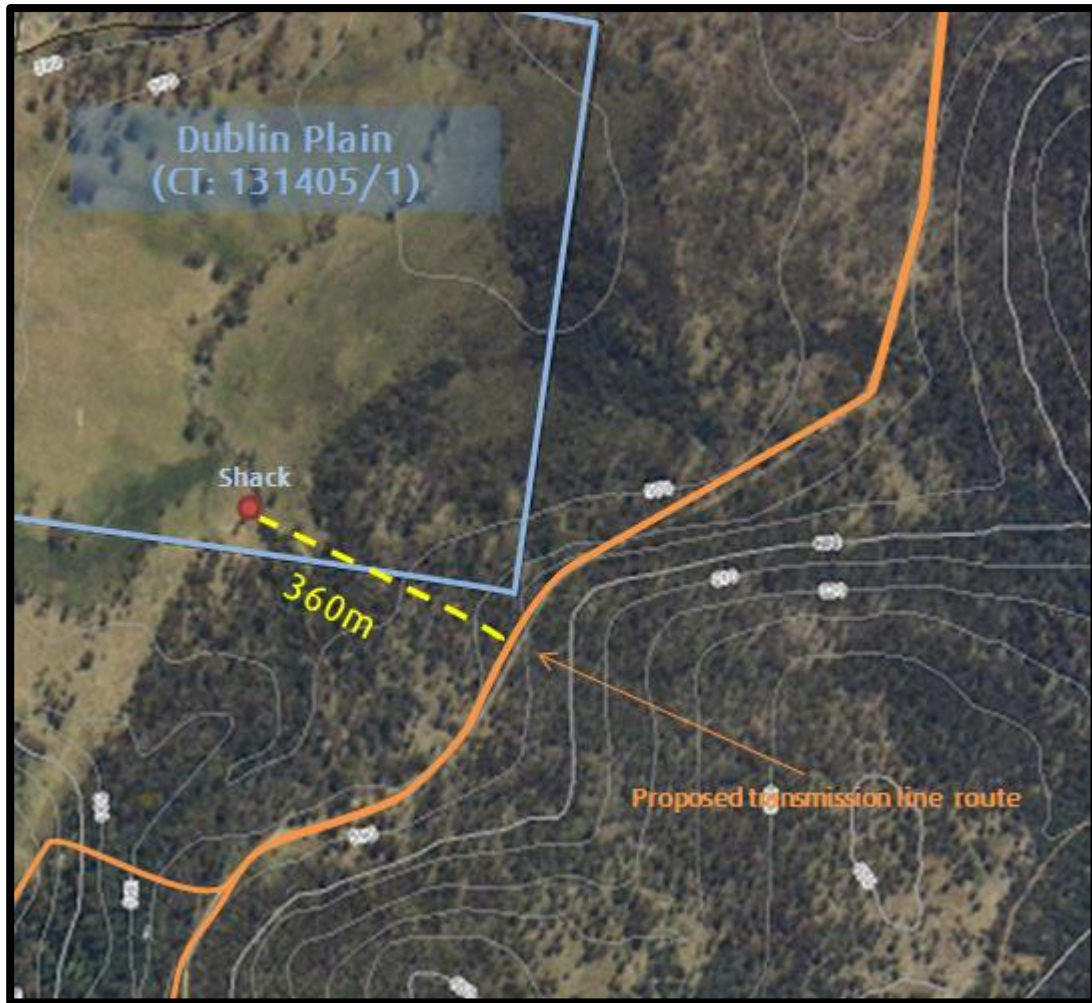


Figure 4: Proposed transmission line route in relation to Dublin Plains



Photo 15: Existing shack at Dublin Plains and vegetation buffer, looking east toward proposed transmission line route.

Should Route 1 be used, the transmission lines may be visible looking directly along the power line corridor to the south, however separation of more than 500m between the title and the transmission lines will significantly mitigate the visual impact. The proposed line will diverge from the existing corridor just below the crest of the hill, to the left, in Photo 16 below.



Photo 16: Existing transmission line corridor, looking south from existing shack at Dublin Plains



Photo 17: Typical vegetation on the verges of Dublin Road (predominately regrowth).



The vegetation clearance required to facilitate the transmission lines will be undertaken in accordance with a Forest Practices Plan. The title surrounding Dublin Plans and bordering Mersey Forest Road and is managed by Forestry Tasmania, along with the roads impacted by the development. The applicant will use the land subject to a lease agreement with Forestry Tasmania. As such the management of vegetation and the condition of the road verges after clearance has been undertaken will be managed in conjunction with Forestry Tasmania.

The visual impact of the lines is considered reasonable given the context of the locality, the forms of existing development and the dominant land uses in the vicinity.

- Disturbance of Root Zones

By utilizing overhead lines, disturbance of root zones will be minimal. Vegetation clearance will generally involve larger trees being cut off at the base, with the root systems left intact underground. Some undergrowth less than 3m in height may be permitted to remain. The close proximity to the road and transmission line corridors will provide a convenient access point for the installation of infrastructure and will minimise disturbance caused by the passage of vehicles along the route.

It is noted that the construction of trenches for underground installation will have far greater impact on the root zones of surrounding vegetation and will not negate the requirement for the proposed vegetation clearance.

- Width of Transmission Line Corridor and Requirement for FPP

The proposed transmission line routes will take advantage of existing infrastructure corridors to minimise the amount of vegetation clearance required. While a 5m clearance would generally be required to either side of a standard transmission line, by running adjacent to existing cleared corridors additional clearance will only be required to one side of the pole.

The vegetation required for the transmission lines will trigger the requirement for a Forest Practices Plan in accordance with the *Forest Practices Act 1985*. However, a Forest Practices Plan is not required to make an assessment against the Planning Scheme.

- Weed Control

The applicant has submitted a *Construction Environmental and Operational Management Plan* addressing the management of weeds during the construction process. While thistles and other non-declared weeds have not been explicitly identified, prevention measures put in place for declared weeds will inherently contribute to controlling the spread of non-declared species.

There are no provisions relating to weed management contained within the planning scheme. Mersey Forest Road and the subject title are under the authority of Forestry Tasmania and the Crown. These are the relevant authorities for management of weeds

within the title and along Mersey Forest Road. Any responsibility passed to the applicant for the ongoing management of existing weeds along Mersey Forest Road or within the lease area is a private matter between Forestry Tasmania/Crown and the applicant and should be managed through the lease agreement.

- Illegal property access

Council cannot manage illegal access to private property.

The proposed transmission line routes will follow the existing transmission line corridor or Dublin Road and connect to the un-named Forestry track off Dublin Road. The transmission line skirts the Dublin Plains property to the south and there is no necessity to enter the Dublin Plains property during the construction or ongoing maintenance of the lines.

### **Conclusion**

In conclusion, it is considered that the application for a Mini Hydro Power Station, Transmission Lines and Associated Infrastructure can be effectively managed by conditions and should be approved.

While two possible transmission line routes have been proposed, the applicant has indicated that only one route will be utilised. As the applicants have demonstrated that both routes are acceptable, it is not considered necessary to enforce a single option. While it will be left to the applicant to select Route 1 or Route 2 based on feasibility, amended plans confirming the chosen route will be required to be submitted to Council prior to the commencement of use.

**AUTHOR:** Justin Simons  
TOWN PLANNER

## **12) Recommendation**

*That the application for use and development for a Mini Hydro Power Station, Transmission Lines and Associated Infrastructure for land located at Mersey Forest Road, Mersey Forest (PID:2530822) by G7 Generation, requiring the following discretions:*

### **26 Rural Resource Zone**

***26.3.1 Discretionary Use***

***26.4.1 Setbacks***

### **E1 Bushfire Prone Areas Code**

***E1.5.2.1 Hazardous Use***

### **E4 Road and Railway Asset Code**

***E4.7.2 New Access***

***E4.7.4 Sight Distances***

### **E4 Car Parking and Sustainable Transport Code**

***E6.7.1 Construction of access and Parking***

***E6.7.2 Design and Layout of Car Parking***

E8 Biodiversity Code

E8.6.1 *Vegetation Removal*

E9 Water Quality Code

E9.6.1 *Vegetation removal within 40m of a Watercourse*

E9.6.2 *New point source discharge*

E9.6.3 *Construction of roads*

E9.6.4 *Access*

*be APPROVED, generally in accordance with the endorsed plans and subject to the following conditions:*

1. The use and/or development must be carried out as shown and described in the endorsed Plans:
  - a) G7 Generation Pty. Ltd. – Drawing No. OL002, LP005, LAY001, VC006, AP007, SE002, SP008, SW001, SW002, SW003, TB010, C011, SO012, SO013, PS014, PM015, IE016, WI017 and TTR018
  - b) G7 Generation Pty. Ltd. – Letter dated 16/12/2014
  - c) Lark & Creese - *Construction, Environmental and Operational Management Plan*
  - d) Lark & Creese – *Flora and Fauna Report*
  - e) Lark & Creese - *Bushfire Risk Assessment*, prepared, dated 13<sup>th</sup> January 2015

to the satisfaction of the Council. Any other proposed development and/or use will require a separate application and assessment by Council.

2. Prior to the commencement of any works and/use amended plans must be submitted for approval to the satisfaction of Council's Town Planner. When approved, the plans will be endorsed and will then form part of the permit. The plans must be amended as follows:
  - a) Drawing No. OL002 is to be amended to show a single transmission line route. The alternative route not selected by the applicant is to be removed from the plan.
  - b) Drawing No. TTR018 is to be amended to accurately reflect the change in elevation between the power station and the Fish River at the outfall (as per Drawing No. SE002).
3. The materials and finishes of all structures at the power station site are to be non-reflective and in tones that blend in with the landscape, to the satisfaction of Council's Town Planner.
4. The development must be in accordance with the recommendations issued by the Assessment Committee for Dam Construction (attached).

Note:

1. This permit does not imply that any other approval required under any other by-law or legislation has been granted. At least the following additional approvals will be required by Council before construction commences:
  - a) Building permit
  - b) Plumbing permit
  - c) Special Plumbing Permit

All enquiries should be directed to Council's Permit Authority on 6393 5322.

2. This permit takes effect after:
  - a) The 14 day appeal period expires; or
  - b) Any appeal to the Resource Management and Planning Appeal Tribunal is abandoned or determined; or.
  - c) Any other required approvals under this or any other Act are granted.
3. This permit is valid for two (2) years only from the date of approval and will thereafter lapse if the development is not substantially commenced. An extension may be granted if a request is received at least 6 weeks prior to the expiration date.
4. A planning appeal may be instituted by lodging a notice of appeal with the Registrar of the Resource Management and Planning Appeal Tribunal. A planning appeal may be instituted within 14 days of the date the Corporation serves notice of the decision on the applicant. For more information see the Resource Management and Planning Appeal Tribunal website [www.rmpat.tas.gov.au](http://www.rmpat.tas.gov.au).
5. If any Aboriginal relics are uncovered during works;
  - a) All works are to cease within a delineated area sufficient to protect the unearthed and other possible relics from destruction,
  - b) The presence of a relic is to be reported to Aboriginal Heritage Tasmania Phone: (03) 6233 6613 or 1300 135 513 (ask for Aboriginal Heritage Tasmania Fax: (03) 6233 5555 Email: [aboriginal@heritage.tas.gov.au](mailto:aboriginal@heritage.tas.gov.au)); and
  - c) The relevant approval processes will apply with State and Federal government agencies.

## DECISION:

## **DEV 2 FRONTAGE FENCE & RESIDENTIAL OUTBUILDING – 7 CLASSIC DRIVE, PROSPECT VALE**

### **1) Introduction**

This report considers the planning application PA\15\0104 for a Frontage Fence and Residential Outbuilding for land located at 7 Classic Drive, Prospect Vale (CT 160564/11).

### **2) Background**

#### **Applicant**

Prime Design

#### **Planning Controls**

The subject land is controlled by the Meander Valley Interim Planning Scheme 2013 (referred to this report as the 'Scheme').

#### **Use & Development**

The application proposes to create a private open space area at the front of the dwelling by constructing a retaining wall to a maximum height of 1.15m and filling between the dwelling and the frontage. The retaining wall will be topped by a 1.1m timber picket fence, resulting in a frontage fence with a total maximum height of 2.25m.

The proposal also includes a residential outbuilding at the rear of the existing dwelling and the extension of the existing concrete driveways. The outbuilding will have an area of 32m<sup>2</sup> and will be used as a domestic garage and storage shed. It will be constructed of steel and clad in Colorbond.

Some internal alterations have also been proposed within the dwelling, including a small utility room in the existing garage. These works do not trigger the requirement for a planning permit.





Photo 2: Site of proposed outbuilding, looking east from within the title.

### Application

The application for a frontage fence and outbuilding was originally notified with a higher frontage fence (2700mm). Responding to the concerns of local residents raised during the advertising period, the applicant opted to undergo a redesign. The overall height of the fence was substantially reduced, a higher degree of transparency introduced and a number of design elements clarified.

The application was re-notified with the amended fence design. The planning assessment considers only the final amended proposal.

### Site & Surrounds

The property identified as 7 Classic Drive is located in the urban area of Prospect Vale.

The property fronts a relatively new cul-de-sac. The surrounding land is a mix of vacant and developed lots, including single and multiple dwellings.



Photo 3: Aerial photo showing approximate location of the subject title.



Photo 4: Subject title, looking south from Classic Drive.

The land slopes upward from Classic Drive, with a rise of approximately 3m from north to south. The site contains a three bedroom dwelling, and has two existing vehicle accesses onto Classic Drive.



### **Statutory Timeframes**

Valid application:	23 December 2014
Advertised:	4 <sup>th</sup> April 2015
Closing date for representations:	21 <sup>st</sup> April 2015
Request for further information:	Not applicable
Information received:	Not applicable
Extension of time granted:	20 <sup>th</sup> January and 1 <sup>st</sup> April 2015
Extension of time expires:	12 <sup>th</sup> May 2015
Decision Due:	12 <sup>th</sup> May 2015

### **3) Strategic/Annual Plan Conformance**

Council has a target under the Annual Plan to assess applications for discretionary uses within statutory timeframes.

### **4) Policy Implications**

Not Applicable

### **5) Statutory Requirements**

Council must process and determine the application in accordance with the Land Use Planning Approval Act 1993 (LUPAA) and its Planning Scheme. The application is made in accordance with Section 57 of LUPAA.

### **6) Risk Management**

Risk is managed by the inclusion of appropriate conditions on the planning permit.

### **7) Consultation with State Government and other Authorities**

The application was referred to TasWater. A Submission to Planning Authority Notice (TWDA 2015/00607-MVC attached) was received (attached document).

### **8) Community Consultation**

The application was advertised for the 14-day period required under legislation. Five representations were received (attached documents). The representations are discussed in the assessment below.

### **9) Financial Impact**

Not Applicable

## 10) Alternative Options

Council can either approve the development, with or without conditions, or refuse the application.

## 11) Officers Comments

### Zone

The subject property is zoned General Residential (see Figure 2 below).

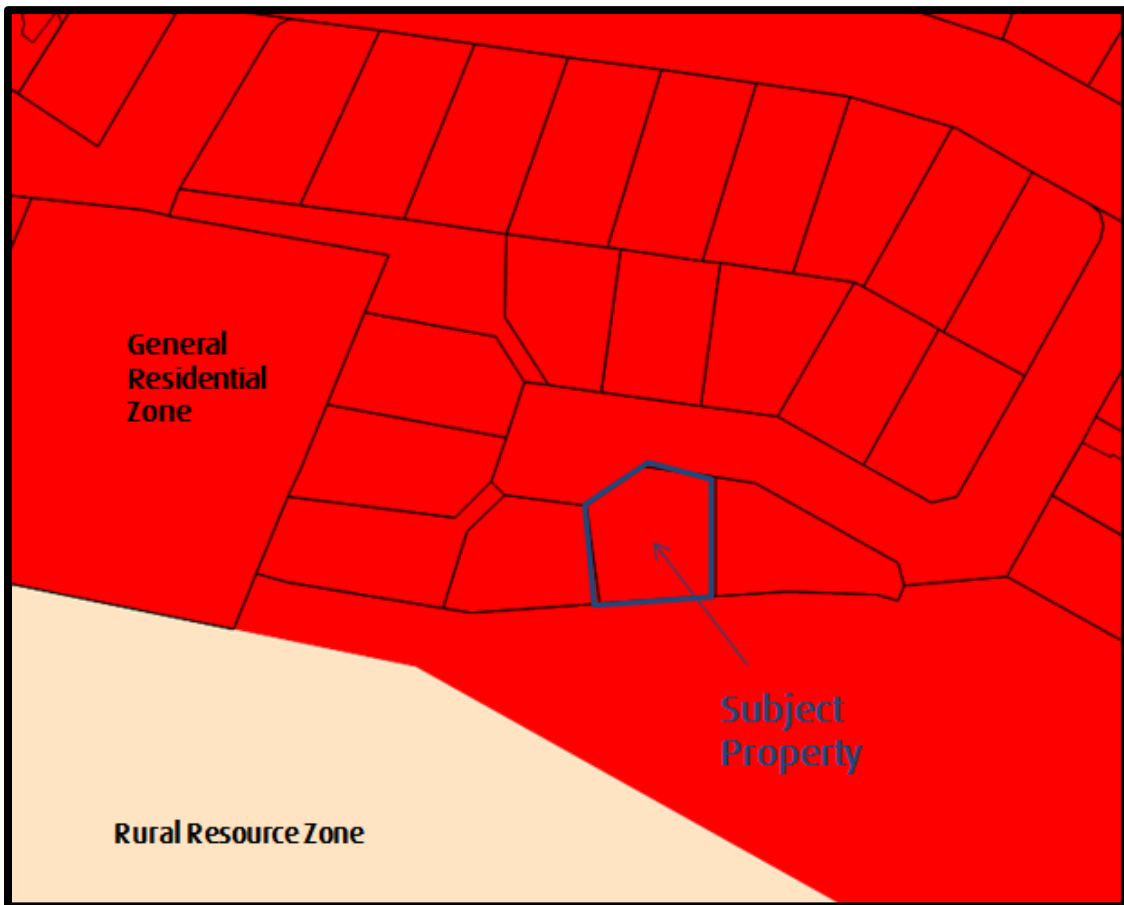


Figure 2: Zoning of subject titles and surrounding land.

### Use Class

In accordance with Table 8.2 the proposed Use Class is Residential.

Residential (for a single dwelling) is specified in Section 10.2 – General Residential Zone Use Table as being No Permit Required.

The development however does not comply with all the requirements and standards of the General Residential Zone.

## Applicable Standards

This assessment considers all applicable planning scheme standards.

In accordance with the statutory function of the State Template for Planning Schemes (Planning Directive 1), where use or development meets the Acceptable Solutions it complies with the planning scheme, however it may be conditioned if considered necessary to better meet the objective of the applicable standard.

Where use and development relies on performance criteria, discretion is used for that particular standard. To determine whether discretion should be exercised to grant approval, the proposal must be considered against the objectives of the applicable standard and the requirements of Section 8.10.

A brief assessment against all applicable Acceptable Solutions of the General Residential Zone and applicable Codes is provided below. This is followed by a more detailed discussion of any applicable Performance Criteria and the objectives relevant to the particular discretion.

## Compliance Assessment

The following table is an assessment against the applicable standards of the Meander Valley Interim Planning Scheme 2013.

<b>10 General Residential</b>		
<b>Scheme Standard</b>	<b>Comment</b>	<b>Assessment</b>
<b>10.3.1 Amenity</b>		
A1	Residential is a No Permit Required use class.	Complies
A2	Not a discretionary use.	Not applicable
<b>10.4.2 Setbacks and Building Envelope for all dwellings</b>		
A1	The application includes a frontage fence, which has been assessed below.	Complies
A2	The proposed outbuilding (domestic storage and garage) is located behind the existing dwelling, 22m from the frontage.	Complies
A3	The proposed outbuilding is not contained within the building envelope, being setback less than 4m from the rear boundary.	Relies on Performance Criteria
<b>10.4.3 Site coverage and private open space</b>		
A1	The floor area of the existing dwelling (180.27m <sup>2</sup> ) and outbuilding (32m <sup>2</sup> ) results in a site coverage of 212.27m <sup>2</sup> ;	Complies

	29.28% of the 725m <sup>2</sup> lot.  The site plan indicates 41% of the site will remain free of impervious surfaces.	
A2	The proposed development will result in a flat private open space area to the north of the dwelling, with direct access to the lounge room, a minimum dimension of 5.15m and an area greater than 24m <sup>2</sup> .  Although the private open space is located between the dwelling and the frontage, the lot is orientated between 30° east of north and 20° west of north. The north orientation ensures adequate solar access.  The space will be levelled, through the construction of the retaining wall along the frontage.  The raised private open space area is not used for parking.	Complies
<b>10.4.4 Sunlight and overshadowing for all dwellings</b>		
A1	No new habitable rooms are proposed and the development does not compromise existing north facing windows.	Complies
A2	Single dwelling.	Not applicable
A3	Single dwelling.	Not applicable
<b>10.4.6 Privacy for Single Dwellings</b>		
A1	The retained earth at the front of the lot has a finished floor height of 1.15m, however it is located more than 3m from the side boundaries and more than 4m from the rear boundary.	Complies
A2	The development does not include any new habitable rooms with a finished floor height above 1m.	Not applicable
A3	The application is for a single dwelling and does not include a shared access.	Not applicable
<b>10.4.7 Frontage Fences</b>		
A1	Including the retaining wall, frontage	Relies on

	fence has a total height of 2.2m.	Performance Criteria
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E6 Car Parking and Sustainable Transport Code		
Scheme Standard	Comment	Assessment
E6.6.1 Car Parking Numbers		
A1	<p>The application does not propose to reduce the existing parking on site to less than that required by Table E6.1. While one of the parking spaces within the garage will be compromised by the internal developments, there is sufficient existing parking on site.</p> <p>A single dwelling requires 2 parking spaces. One space will remain within the attached garage and there is sufficient space in both existing driveways for a second vehicle to park.</p>	Complies

### Performance Criteria

10 General Residential Zone
10.4.2 Setbacks and building envelope for all dwellings
<p><b>Objective</b></p> <p><i>To control the siting and scale of dwellings to:</i></p> <p><i>(a) provide reasonably consistent separation between dwellings on adjacent sites and a dwelling and its frontage; and</i></p> <p><i>(b) assist in the attenuation of traffic noise or any other detrimental impacts from roads with high traffic volumes; and</i></p> <p><i>(c) provide consistency in the apparent scale, bulk, massing and proportion of dwellings; and</i></p> <p><i>(d) provide separation between dwellings on adjacent sites to provide reasonable opportunity for daylight and sunlight to enter habitable rooms and private open space.</i></p>
<p><b>Performance Criteria P3</b></p> <p><i>The siting and scale of a dwelling must:</i></p> <p><i>(a) not cause unreasonable loss of amenity by:</i></p>

- i) reduction in sunlight to a habitable room (other than a bedroom) of a dwelling on an adjoining lot; or*
  - ii) overshadowing the private open space of a dwelling on an adjoining lot; or*
  - iii) overshadowing of an adjoining vacant lot; or*
  - iv) visual impacts caused by the apparent scale, bulk or proportions of the dwelling when viewed from an adjoining lot; and*
- (b) provide separation between dwellings on adjoining lots that is compatible with that prevailing in the surrounding area.*

**COMMENT:**

The proposed residential outbuilding does not comply with the 4m setback from the rear boundary prescribed by the Acceptable Solution. The proposed 900mm setback, however, is considered to be acceptable.

The outbuilding will not cause the reduction in sunlight to habitable rooms or private open spaces of any adjoining dwellings. The land to the rear of the title (1 Harley Parade) is a very large (46ha) lot, predominately covered with natural vegetation. While there is a dwelling on the title and permits have been issued for a replacement dwelling, both sites are located more than 150m from the proposed development. As such there are no habitable rooms or private open space areas within the vicinity of the development. While the existing chain-link fence will do little to obscure the visual impact of the development when viewed from 1 Harley Parade, natural vegetation provides an adequate visual buffer between the proposed outbuilding and the dwelling sites. It is also noted that there were no representations from the owner of 1 Harley Parade.

The outbuilding complies with the Acceptable Solutions in regard to the side boundaries. It has a maximum height of 3m, less than 9m total wall length and is contained within the building envelope, as described in Clause 10.4.2 A1, in regard to the side boundaries.

The development complies with the objective. It provides reasonably consistent separation between dwellings and does not interfere with solar access to the private open space or habitable rooms of neighbouring dwellings.

**10 General Residential Zone**

**10.4.7 Frontage fences for all dwellings**

***Objective***

*To control the height and transparency of frontage fences to:*

- a) provide adequate privacy and security for residents; and*
- b) allow the potential for mutual passive surveillance between the road and the dwelling; and*
- c) provide reasonably consistent height and transparency.*

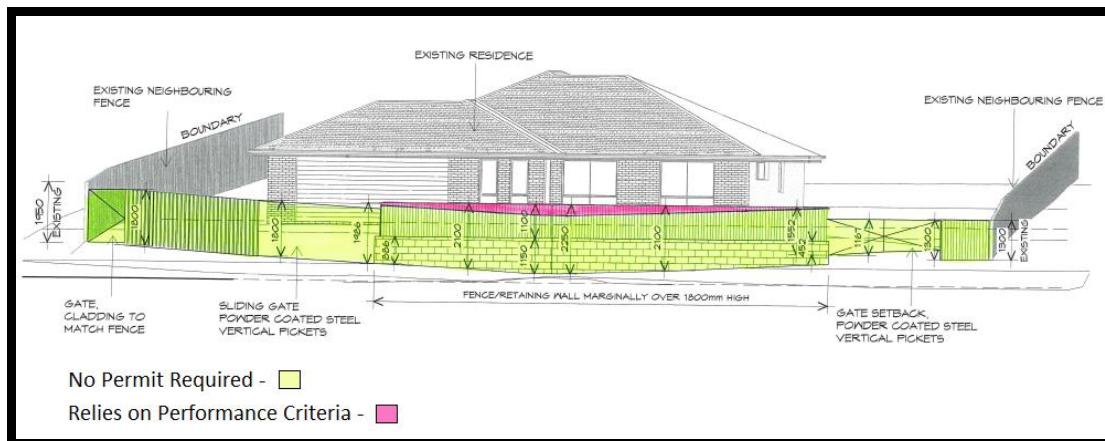
**Performance Criteria P1**

- P1 A fence (including a free-standing wall) within 4.5m of a frontage must:*
- a) provide for the security and privacy of residents, while allowing for mutual passive surveillance between the road and the dwelling; and*
  - b) be compatible with the height and transparency of fences in the street, taking into account the:
    - (i) topography of the site; and*
    - (ii) traffic volumes on the adjoining road.**

**COMMENT:**

The application proposes to construct a fence along the entire length of the frontage. The central, bottom portion of the fence will consist of a block retaining wall with a maximum height of 1.15m. The site will be filled between the dwelling and the retaining wall to create a relatively flat and usable area. The remainder of the fence will consist of vertical timber pickets.

In accordance with the Acceptable Solution A1, a frontage fence with a maximum height of 1.8m and 30% transparency above a height of 1.2m does not require a Planning Permit in the General Residential Zone. Those parts of the fence, highlighted in green below (see Figure 3) currently comply with the Acceptable Solution and do not require Planning Permits.



**Figure 3: Status of proposed frontage fence.**

Approximately 15m of the proposed frontage fence exceeds the heights prescribed by the Acceptable Solution, with a maximum deviation of 450mm. This is considered to be relatively minor, considering that, due to natural topography, only a small portion of the fence will actually attain this height. Those parts of the fence highlighted in pink on Figure 3, above, exceed 1.8m in height and rely on the Performance Criteria. Dispensation is only being requested for that part of the fence which exceeds 1.8m in height.

Objective C of the standard is to “provide reasonably consistent height and transparency”. As many of the lots within the street do not currently have frontage fences, the proposal will contrast with existing developments. However, as discussed above, a frontage fence erected in accordance with the Acceptable Solution 10.4.7 A1 does not require a Planning Permit and there is nothing in the planning scheme that would prohibit the subject landowners or any other

landowners in the cul-de-sac, from erecting such a fence for the entire length of the frontage at any time.

The only existing comparable development in the street is located on the adjoining land at 5 Classic Drive. This property is fronted by a fence composed of a retaining wall and solid frontage fence with a maximum height of 1.95m (generally 1.8m). Compared to those dwellings without fences, the existing fence at 5 Classic Drive is imposing and has made a significant contribution to the character of the streetscape.



**Photo 5: Existing 1.8m fence at 5 Classic Drive.**

Although a portion of it will be higher than that at 5 Classic Drive, the upper portions of the proposed fence will be constructed of vertical timber pickets, spaced to allow for 30% transparency. The transparent nature of the fence will significantly reduce its visual bulk and will allow people to look past the fence to the existing dwelling. It is considered that the visual impact created by the increased height of the proposed fence is adequately offset by the degree of transparency.

The nature strip in front of 7 Classic Drive generally provides separation of 2-3m between the proposed frontage fence and the footpath. Separation is briefly reduced to 1.5m where the path skirts a pedestrian crossing. As such there is reasonable separation between the footpath and the title boundary, and the proposed fence will not dominate the footpath. Separation and impacts will be consistent with the existing fence at 5 Classic Drive.





Photo 6: Existing fence at 5 Classic Drive, showing separation and impacts on the footpath.



Photo 7: Approximate location of proposed frontage fence, showing separation from the footpath.

In respect to transparency, the development is consistent with the Acceptable Solution. As such, the increased height will not have any impact on passive surveillance between the dwelling and the street and vice-versa.

The proposed development is considered to be consistent with the Objective. The proposed fence is reasonably consistent with the height and transparency of the existing fence and is relatively consistent with the types of fences that can be erected without a permit.

### **Representations**

Representations from the landowners and occupants of 2, 3, 5, 9 and 11 Classic Drive were received during the advertising period (see attached documents). Please note, while the representation from 5 Classic Drive makes reference to the standards of a previous version of the Planning Scheme, the matters raised have been addressed in relation to the current version.

A number of issues have been raised in the representations which are not dealt with in Planning legislation. For instance the following issues cannot be considered by Council as a Planning Authority:

- The personal family circumstances of the land owner.
- Safety concerns particular to the circumstances of the residents beyond the requirements of Building and Planning controls.
- Concerns that the development will not be built to plan due to costs.
- Seclusion and lack of sense of community.
- Longevity of the fence.

A number of legitimate planning issues have been raised in the representations. These include:

- The height of proposed frontage fence and visual bulk.
- The development is not in keeping with the character of the area and amenity of other dwellings in the street.
- There are opportunities to utilise the rear of the property for private open space and alternative means of providing private open space and securing the site.
- Colour of the proposed garage and concerns it may not compliment character and amenity of the area.
- Construction materials and requirement to construct to an appropriate visual standard.
- Reduced privacy.
- Reduced solar access.
- Potential to restrict sight distances from subject property and other properties within the cul-de-sac.

### **Comment:**

- Visual bulk

That part of the fence over 1.15m will be constructed of vertical pickets with a maximum transparency of 30%. This will significantly reduce the visual bulk of the frontage fence, with the dwelling and front yard being visible through the pickets.

Although marginally higher than the Acceptable Solutions, the visual bulk of the design will be negligible in comparison to a compliant fence.

The property at 5 Classic Drive currently has the only front fence in the cul-de-sac. While the visual impact and bulk of this fence are not unreasonable, it has made a significant impact on the streetscape and strongly contributes to its character of the area. Although of a different design and materials, the impacts of the proposed fence on the streetscape will be relatively consistent with those of the existing fence at 5 Classic Drive.



**Photo 8: Visual bulk of 5 Classic Drive.**



**Photo 9: Existing visual bulk of 5 Classic Drive, compared to the existing dwelling at 7 Classic Drive.**

Due to the transparent nature of the proposed fence, the visual bulk is anticipated to be less than that of the existing fence at 5 Classic Drive and is not considered to be out of

character. The proposal will have a negligible impact on the streetscape and amenity of adjoining titles when compared to a compliant frontage fence.

The internal components of the fence, between the dwelling and the actual frontage fence will be marginally over the height of the Acceptable Solution and the impacts will be negligible compared to a compliant 1.8m fence.

- Height

While a portion of the proposed frontage fence will be 450mm higher than permitted by the Acceptable Solution, the deviation is considered to be relatively minor. Due to the natural topography, only a small portion of the fence will actually attain this height. That part of the fence over 1.8m will have a degree of transparency and will not result in unreasonable additional visual bulk. Being located near the centre of the title, shadows cast by the higher portions of the fence will be cast onto the subject title and will not impact the use and amenity of adjoining lots.

- Not in keeping

While many of the properties fronting Classic Drive do not currently have front fences, there is nothing prohibiting any landowner from erecting a 1.8m frontage fence providing that the upper 600mm maintains 30% transparency. While the proposed frontage fence appears to be significantly out of keeping with the existing open fronted titles, it is relatively consistent with the type of frontage fence that can be erected without requiring permits.

Planning Scheme standards relating to character, generally refer to broader concepts of use and amenity impacts. In this case the residential use is consistent with that of the surrounding titles and the fence will not impact how surrounding landowners use their properties or the street. The fence does not create unreasonable visual bulk compared to the existing fence or a fence constructed in accordance with the Acceptable Solution. Council does not regulate how a dwelling or the front fence fits in stylistically with the surrounding dwellings or whether the proposed design is currently in "vogue" or not.

- Opportunities to utilise the side and rear for private open space

The Acceptable Solution 10.4.3 *Site coverage and private open space*, supports the development of private open space between the dwelling and the frontage where the frontage has a northern orientation and the private open space will achieve maximum solar access. While the property does have additional private open space to the rear and sides, there is nothing in the scheme prohibiting a dwelling from having multiple areas of private open space. The neighbouring dwelling at 5 Classic Drive has private open space located between the frontage and the dwelling.

- Site distances

The proposed development is exempt from the Road and Railway Assets Code as it does not include a new access, intensification of an existing access or development within 50m

of a Category 1 or 2 Road. The Acceptable Solution for frontage fences takes some steps toward considering sight distances by requiring 30% transparency above 1.2m. The proposed development complies with this aspect of the Acceptable Solution and impacts on site distances will be no greater than that of a *No Permit Required Fence*.

- Materials of construction

A fence compliant with the Acceptable Solutions does not require a planning permit and as such, Council does not have the ability to regulate the materials and finishes of such a structure. While the proposed frontage fence exceeds the height requirements of the Acceptable Solution, the proposed timber pickets are an appropriate means to maintain transparency and reduce the visual bulk of the fence. The deviation from the Acceptable Solution is not considered to be significant enough to warrant specific conditions in relation to the entire fence.

- Overshadowing

The proposed development will not result in any loss of solar access for the adjoining titles at 5 and 9 Classic Drive. That part of the fence which exceeds 1.8m is located approximately 5.3m from the east side boundary and 10m from the west side boundary. The shadows cast by the fence will not exceed those casts by the existing side boundary fences and overshadowing of adjacent land will not increase. Overshadowing will not impact any habitable rooms or private open space.

- Privacy

The development complies with the Acceptable Solution 10.4.6 *Privacy for Single Dwellings* and maintains 3m separation between the retained earth and the side boundaries (see compliance table above). It is also noted that, the deck will overlook the front yard at 9 Classic Drive, which does not have a frontage fence and is directly visible to anyone in the street.

- Use and colour of outbuilding

The proposed outbuilding will be used for residential storage and a home workshop with potential to be used for parking. The outbuilding does not meet the required rear setback, the impacts of which have been discussed above. The use of the outbuilding will be consistent with that of a residential use and are not anticipated to have an adverse impact on the adjoining neighbours. Noise impacts will be regulated in accordance with the *Environmental Management and Pollution Control (Miscellaneous Noise) Regulations*.

The colour of the proposed outbuilding has not been confirmed and is not considered to be a significant factor. The outbuilding will not contribute to the streetscape as it is largely located behind the existing dwelling and will have minimal visibility from Classic Drive. While the building will be visible from the street through the gap between the dwelling and the boundary, this is a normal occurrence on suburban blocks, and this view will be partially screened by the proposed fence.

## Conclusion

In conclusion, it is considered that the application for a Residential Outbuilding, Retaining Wall and Frontage Fence can be effectively managed by conditions and should be approved.

**AUTHOR:** Justin Simons  
TOWN PLANNER

## 12) Recommendation

*That the application for use and development for a Residential Outbuilding, Retaining Wall and Frontage Fence for land located at 7 Classic Drive, Prospect Vale (CT 160564/11) by Prime Design, requiring the following discretions:*

### General Residential Zone

10.4.2      *Building Envelope*  
10.4.7      *Frontage Fence*

*be APPROVED, generally in accordance with the endorsed plans and subject to the following conditions:*

1. The use and/or development must be carried out as shown and described in the endorsed Plans:
  - a) Prime Design Drawing Numbers: PD10128-01, 02, 03 & 04to the satisfaction of the Council. Any other proposed development and/or use will require a separate application and assessment by Council.
2. The existing stormwater inspection pit is to be relocated within the title, clear of the proposed retaining wall and raised to the finished ground level to the satisfaction of Council's Plumbing Surveyor.
3. Prior to the commencement of works stormwater design drawings are to be submitted to the satisfaction of Council's Plumbing Surveyor. The drawings must include works required to comply with Condition 3.
4. The use of outbuilding is not permitted for human habitation and is limited to residential storage and related residential activities only.
5. The development must be in accordance with the Submission to Planning Authority Notice issued by TasWater (TWDA 2015/00607-MVC attached).

Note:

1. This permit does not imply that any other approval required under any other by-law or legislation has been granted. At least the following additional approvals may be required before construction commences:

- a) Building permit
- b) Plumbing permit

All enquiries should be directed to Council's Permit Authority on 6393 5322.

2. This permit takes effect after:

- a) The 14 day appeal period expires; or
- b) Any appeal to the Resource Management and Planning Appeal Tribunal is abandoned or determined; or.
- c) Any other required approvals under this or any other Act are granted.

3. This permit is valid for two (2) years only from the date of approval and will thereafter lapse if the development is not substantially commenced. An extension may be granted if a request is received at least 6 weeks prior to the expiration date.

4. A planning appeal may be instituted by lodging a notice of appeal with the Registrar of the Resource Management and Planning Appeal Tribunal. A planning appeal may be instituted within 14 days of the date the Corporation serves notice of the decision on the applicant. For more information see the Resource Management and Planning Appeal Tribunal website [www.rmpat.tas.gov.au](http://www.rmpat.tas.gov.au).

5. If any Aboriginal relics are uncovered during works;

- a) All works are to cease within a delineated area sufficient to protect the unearthed and other possible relics from destruction,
- b) The presence of a relic is to be reported to Aboriginal Heritage Tasmania Phone: (03) 6233 6613 or 1300 135 513 (ask for Aboriginal Heritage Tasmania Fax: (03) 6233 5555 Email: [aboriginal@heritage.tas.gov.au](mailto:aboriginal@heritage.tas.gov.au)); and
- c) The relevant approval processes will apply with State and Federal government agencies.

## DECISION:

## **DEV 3 DWELLING – 279 MAYBERRY ROAD, MAYBERRY**

### **1) Introduction**

This report considers application PA\15\0031 for a dwelling on land located at 279 Mayberry Road, Mayberry (CT230877/1).

### **2) Background**

#### **Applicant**

Woolcott Surveys

#### **Planning Controls**

The subject land is controlled by the *Meander Valley Interim Planning Scheme 2013* (referred to this report as the 'Scheme').

#### **Use and Development**

The application is for a two-bedroom, timber clad dwelling with a floor area of 135m<sup>2</sup>. The building is constructed on concrete piers with a verandah around the eastern half of the building.

A new access and driveway/parking area are included in the application, with the current access to be closed. The driveway is proposed to be gravel with a width of 4 metres and a length of approximately 123 metres.

Wastewater and stormwater are to be discharged on-site.

#### **Site & Surrounds**

The property is a 22.2 hectare lot that is located at the southern-most end of Mayberry Road and is bisected by the road, with approximately 7.7 hectares to the north of the road and 18.5 hectares to the south of the road. The dwelling is proposed to be located within the southern section of the lot.

The lot is located within the Mole Creek Karst landscape. The land slopes upward to the south, more steeply toward the southern boundary, however has a gentle undulating profile toward the centre and north with karst features shaping this topography. The site contains watercourses, the most prominent being Marakoopa Creek which runs through the length of the property. The site has been historically cleared adjacent to Mayberry Road and in the northern part of the site, with some regrowth occurring. A derelict and uninhabited cabin is located approximately 50 metres from the northern boundary (Refer Figure 1 and Photos 1 and 2).





Photo 1 – Existing derelict cabin



Photo 2 – View south along length of lot adjacent to Mayberry Road

The site is surrounded by Mole Creek National Park to the south, including the visitor's centre for the Mole Creek caves opposite the south west corner of the lot. State Forest adjoins the lot to the west and private land containing agricultural uses and native forest is located to the north and east (Refer Figure 1).

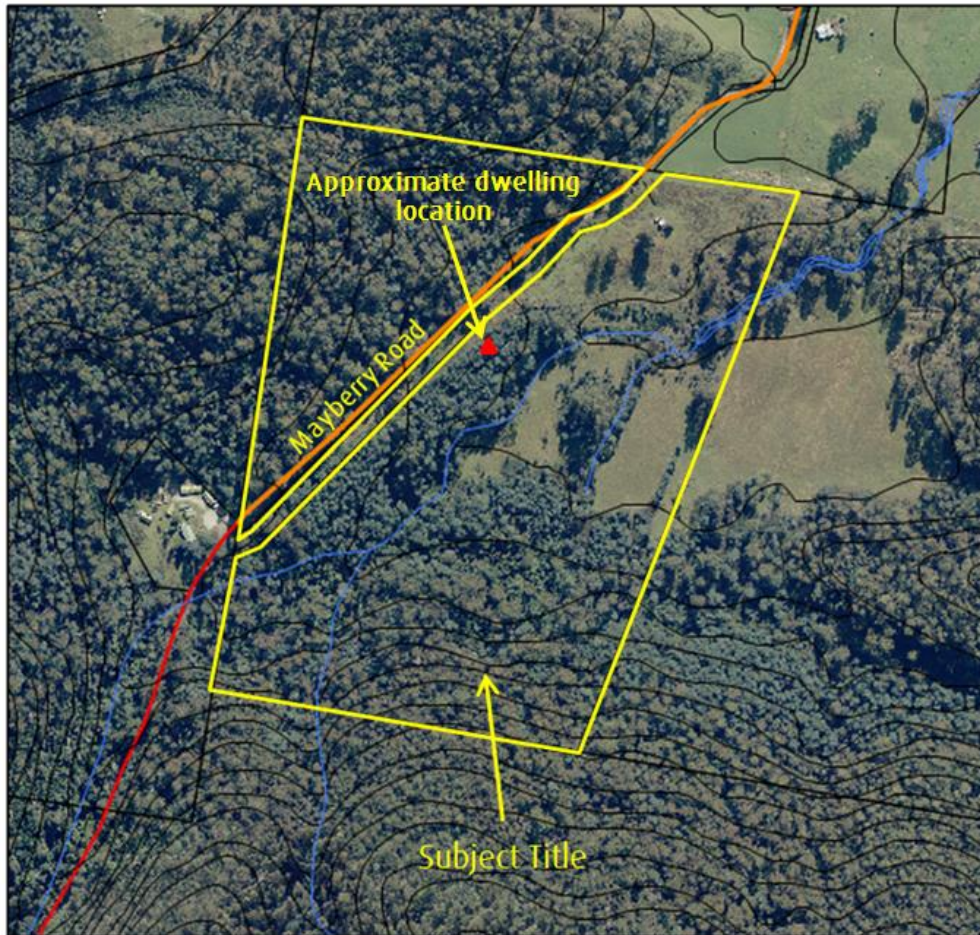


Figure 1– Aerial photo showing subject title.

**Application**

The application for a dwelling on the site was originally notified with the dwelling located in the cleared area in the northern part of the site. Following site inspections and analysis of karst features, the application was amended to change the location of the dwelling further to the south west, to provide a greater separation to karst features, however vehicle access and wastewater disposal components remain the same.

The application was re-notified with the dwelling in the amended location. The planning assessment considers only the final amended proposal.

**Statutory Timeframes**

Valid application:	11 December 2014
Advertised:	27 December 2014 & 11 April 2015
Closing date for representations:	19 January 2015 & 27 April 2015
Request for further information:	Not applicable
Information received:	Not applicable
Extension of time granted:	8 April 2015
Extension of time expires:	13 May 2015
Decision Due:	12 May 2015

### **3) Strategic/Annual Plan Conformance**

Council has a target under the Annual Plan to assess applications for discretionary uses within statutory timeframes.

### **4) Policy Implications**

Not Applicable

### **5) Statutory Requirements**

Council must process and determine the application in accordance with the *Land Use Planning Approval Act 1993 (LUPAA)* and its Planning Scheme. The application is made in accordance with Section 57 of LUPAA.

### **6) Risk Management**

Management of risk is inherent in the conditioning of the permit.

### **7) Consultation with State Government and other Authorities**

The application was referred to DPIPW – Policy and Conservation Advice Branch (PCAB) under the partnership agreement between Council and the State Government relating to karst impact assessment.

PCAB officers have provided assistance with assessment of karst impacts. This is discussed in the officer's comments below.

### **8) Community Consultation**

The application was advertised for the statutory 14-day period. Two representations were received to the amended application. The representations are discussed in the assessment below.

### **9) Financial Impact**

Not Applicable

### **10) Alternative Options**

Council can either approve, with or without conditions, or refuse the application.

### **11) Officers Comments**

#### **Zone**

The subject property is zoned Rural Resource Zone. Surrounding land is zoned Rural Resource Zone and Environmental Management Zone.

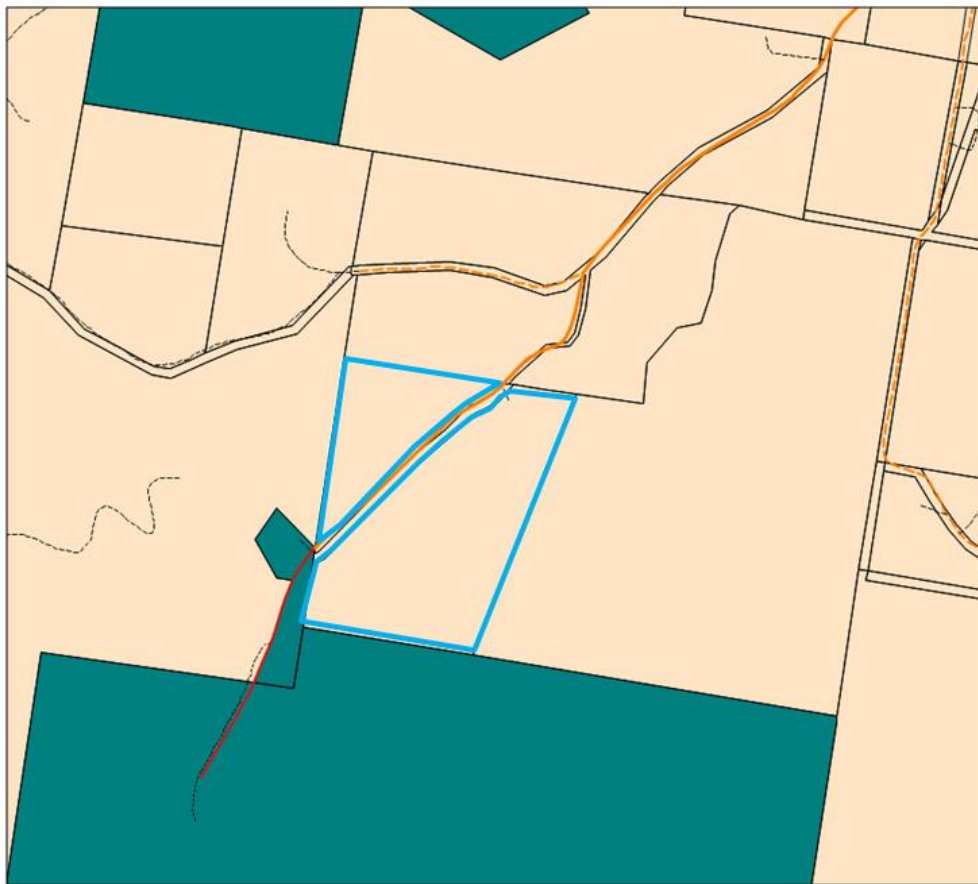


Figure 2: Zoning of subject title and surrounding land.

### Use Class

In accordance with Table 8.2 the Use Class for the proposed dwelling is Residential. Use and development for a Residential dwelling is specified in Section 26.2 – Rural Resource Zone Use Table as being *Discretionary*.

As such, the proposed use is assessed against the Zone Purpose including the Local Area Objectives and Desired Future Character Statements. The use standards in the zone and applicable codes are also considered relative to each applicable standard.

### 26.1 Zone Purpose

#### *26.1.1 Zone Purpose Statements*

- 26.1.1.1 To provide for the sustainable use or development of resources for agriculture, aquaculture, forestry, mining and other primary industries, including opportunities for resource processing.*
- 26.1.1.2 To provide for other use or development that does not constrain or conflict with resource development uses.*
- 26.1.1.3 To provide for economic development that is compatible with primary industry, environmental and landscape values.*

26.1.1.4 *To provide for tourism-related use and development where the sustainable development of rural resources will not be compromised.*

#### 26.1.2 Local Area Objectives

##### a) Primary Industries:

*Resources for primary industries make a significant contribution to the rural economy and primary industry uses are to be protected for long-term sustainability. The prime and non-prime agricultural land resource provides for variable and diverse agricultural and primary industry production which will be protected through individual consideration of the local context. Processing and services can augment the productivity of primary industries in a locality and are supported where they are related to primary industry uses and the long-term sustainability of the resource is not unduly compromised.*

##### b) Tourism

*Tourism is an important contributor to the rural economy and can make a significant contribution to the value adding of primary industries through visitor facilities and the downstream processing of produce. The continued enhancement of tourism facilities with a relationship to primary production is supported where the long-term sustainability of the resource is not unduly compromised. The rural zone provides for important regional and local tourist routes and destinations such as through the promotion of environmental features and values, cultural heritage and landscape. The continued enhancement of tourism facilities that capitalise on these attributes is supported where the long-term sustainability of primary industry resources is not unduly compromised.*

##### c) Rural Communities

*Services to the rural locality through provision for home-based business can enhance the sustainability of rural communities. Professional and other business services that meet the needs of rural populations are supported where they accompany a residential or other established use and are located appropriately in relation to settlement activity centres and surrounding primary industries such that the integrity of the activity centre is not undermined and primary industries are not unreasonably confined or restrained.*

#### 26.1.3 Desired Future Character Statements

*The visual impacts of use and development within the rural landscape are to be minimised such that the effect is not obtrusive.*

#### **Comment:**

The principal purpose of the Rural Resource Zone is to provide for primary industries. However, the zone purpose recognises that rural areas are made up of a diverse mix of uses that contribute to and support rural communities. The scheme standards analyse the context of each particular situation to ensure that future resources are not being compromised by decisions relating to the use of land. This involves the integrated consideration of use and development to determine if residential use of rural land is appropriate in a particular context.

The application is supported by an agricultural report that demonstrates that the land has no practical value for agriculture due to a number of constraints, primarily environmental. These constraints equally apply to other resource development uses such as forestry and extractive industries. The constrained nature of the locality due to the karst geology is generally reflected in land being primarily used for grazing in the area, although other uses such as bee keeping and the occasional crop cycle do occur. The location of the dwelling adjacent to the road is as far as practicable from adjoining agricultural properties. The topography, geology and land tenure surrounding the site results in less intensive resource development being likely at the boundaries, and a lower risk of constraint of adjoining activities, such that it is considered reasonable to utilise the site for residential purposes.

There are limited options for the location of a dwelling on this site when environmental and adjoining land use impacts are prioritised. The scale of development is modest, however the assessment against the road setback standard recommends some additional screening to be planted to the road boundary which has a number of benefits, one of which is to reduce visibility from a high-use tourist road.

### **Applicable Standards**

This assessment considers all applicable planning scheme standards.

In accordance with the statutory function of the State Template for Planning Schemes (Planning Directive 1), where use or development meets the Acceptable Solutions it complies with the planning scheme, however it may be conditioned if considered necessary to better meet the objective of the applicable standard.

Where use and development relies on performance criteria, discretion is used for that particular standard. To determine whether discretion should be exercised to grant approval, the proposal must be considered against the objectives of the applicable standard and the requirements of Section 8.10.

A brief assessment against all applicable Acceptable Solutions of the Rural Resource Zone and Codes is provided below. This is followed by a more detailed discussion of any applicable Performance Criteria and the objectives relevant to the particular discretion.

### **Compliance Assessment**

The following table is an assessment against the applicable standards of the Meander Valley Interim Planning Scheme 2013.

26.0 Rural Resource Zone		
Scheme Standard	Comment	Assessment
26.3.2 Dwellings		
A1.1 A1.2 A1.3	The application is for a new dwelling on a vacant site and does not meet the capital value standard.	Relies on Performance Criteria
26.4.1 Building Location and Appearance		
A1	With a ground slope of approximately 800 mm across the footprint of the dwelling, the maximum height above ground level is 5.3 metres.	Complies
A2	The setbacks of the dwelling are: <ul style="list-style-type: none"> <li>• Front boundary (Mayberry Rd to the west) - 37m</li> <li>• North boundary - 190m</li> <li>• East Boundary 207m</li> <li>• South boundary 382m</li> </ul>	Relies on Performance Criteria

E1 Bushfire-Prone Areas Code		
Scheme Standard	Comment	Assessment
E1.6.3.1 Pre-existing Lots - Provision of hazard management areas		
A1(c)	The application includes a Bushfire Hazard Management Plan prepared by an accredited practitioner, showing hazard management areas required to achieve BAL 12.5 and managed consistent with the objective.	Complies
A2	Hazard management area on external land	Not applicable
E1.6.3.2 Pre-existing Lots - Private Access		
A1(b)	BHMP states that the private access is consistent with the objectives.	Complies
A2(a)	BHMP states that the access to static water supply for firefighting is consistent with the objective.	Complies
A3	The private access meets the requirements of Table E3 as follows:	Complies

	<ul style="list-style-type: none"> <li>• The access is less than 100m in length, turning is provided within the parking area.</li> <li>• There is no requirement for culverts or bridges.</li> <li>• There is no overhead vegetation</li> </ul>	
<b>E1.6.3.3 Pre-existing Lots – Water Supply</b>		
A1(d)	The Bushfire Hazard Management Plan states that water supply is consistent with the objective. A minimum 10,000L water supply for firefighting is to be supplied within 120m of all parts of the dwelling.	Complies

#### **E4 Road and Railway Assets Code**

Scheme Standard	Comment	Assessment
<b>E4.6.1 Use and road or rail infrastructure</b>		
A1	Not within 50m of a Category 1 or 2 Road	Not applicable
A2	Speed limit greater than 60 km/h	Not applicable
A3	The existing access is proposed to be closed with a new access to be constructed approximately 55 metres to the west.	Complies
<b>E4.7.2 Management of Road Accesses and Junctions</b>		
A1	The speed limit is over 60km/h	Not applicable
A2	The development includes a new access.	Relies on Performance Criteria
<b>E4.7.4 Sight Distance at Accesses, Junctions and Level Crossings</b>		
A1	Sight distances are in excess of 230m to the north and 240m to the south of the proposed access.	Complies

#### **E6.0 Car Parking and Sustainable Transport Code**

Scheme Standard	Comment	Assessment
<b>E6.6.1 Car Parking Numbers</b>		
A1	The proposed development provides sufficient parking for more than 2 vehicles. Table E6.1 requires the provision of 2 parking spaces for a single dwelling.	Complies



E6.7.1 Construction of Car Parking Spaces and Access Strips		
A1	The application proposes to construct a new driveway of 4 metres width at an approximate gradient of 1:15 to the proposed dwelling. The crossover will be constructed in accordance with the LGAT Standard Drawings for rural access. The proposed parking spaces will be within the hardstand area downslope of the dwelling. Stormwater will be dispersed over the length of the driveway across the existing grass area or to the roadside drain.	Complies
E6.7.2 Design and Layout of Car Parking		
A1	The dwelling requires less than 4 spaces, however the parking area is located behind the building line.	Complies
A2.1	All parking spaces have a gradient less than 10%.  The site does not provide parking for more than 4 cars.  The access is in excess of the 3 metres required, however as the length is in excess of 30m, passing bays are required and are not indicated on the site plan.  The parking area is 13.5m x 11.5m. This provides for manoeuvrability in excess of that required by Table E6.3.	Relies on Performance Criteria
A2.2	The access and parking complies with AS2890.1	
E6.7.4 Parking for Persons With a Disability		
A1	Parking area provides direct entry to dwelling	Complies
A2	The dwelling itself is not required to provide for disabled access, however the parking area complies with the area and gradient standards for disabled parking.	Complies

E8.0 Biodiversity Code		
Scheme Standard	Comment	Assessment
E8.6.1 Habitat and Vegetation Management		
A1	The development area is not mapped as priority habitat.	Complies
A2	The application includes the removal of native vegetation and does not include a Forest Practices Plan.	Relies on Performance Criteria

E9.0 Water Quality Code		
Scheme Standard	Comment	Assessment
E9.6.1 Development and Construction Practices and Riparian Vegetation		
A1	The hazard management area for bushfire protection requires the clearance of native vegetation within 40 metres of Marakoopa Creek.	Relies on Performance Criteria
A2	There are no wetlands on the site.	Not applicable
A3	The watercourse will not be filled piped or channelled.	Complies
E9.6.2 Water Quality Management		
A1	Stormwater from the dwelling is directed to a tank, with the overflow connected to a diffuse discharge. Surface runoff is not collected.	Complies
A2	The application does not include a new point source discharge.	Complies
A3	Quarries and borrow pits	Not applicable
E9.6.3 Construction of Roads		
A1	The parking area is located approximately 38 metres from the watercourse.	Relies on Performance Criteria
E9.6.4 Access		
A1	The proposed development does not provide direct access to the watercourse.	Complies
A2	The proposed development does not provide direct access to the watercourse.	Complies

E15 Karst Management Code		
Scheme Standard	Comment	Assessment
E15.5 Use Standards		
A1	Plantation forestry	Not applicable
A2	Wastewater disposal field setback to sinkholes 40m for land less than 5° slope. The wastewater field is setback approximately 20 metres to sinkholes adjacent to Mayberry Road.	Relies on Performance Criteria
A5	Access to caves	Not applicable
A6	Disposal of hard waste	Not applicable
A7	Abstraction of water	Not applicable
E15.6.1 Sedimentation and pollution		
A1	Forestry and plantation forestry	Not applicable
A2.1	The dwelling and driveway are located within 100m of karst features.	Relies on Performance Criteria
A2.1	Runoff does not concentrate flows into groundwater system.	
A3	Vegetation retained within 40m of sinkholes.	Complies
A4	Proposed development does not fill sinkholes.	Complies
E15.6.2 High Sensitivity Karst Features		
A1	<ul style="list-style-type: none"> <li>a) The application does not include forestry;</li> <li>b) The development site does not contain caves or karren, however a sunken stream traverses the site from the north-west, under Mayberry Road, toward Marakooopa Creek. Drilling undertaken on the site shows a soil coverage in excess of 500mm.</li> </ul>	Relies on Performance Criteria

## Performance Criteria

<b>26 Rural Resources Zone</b>
<b>26.3.2 Dwellings</b>
<p><b>Objective</b></p> <p><i>To ensure that dwellings are:</i></p> <ul style="list-style-type: none"><li><i>a) incidental to resource development; or</i></li><li><i>b) located on land with limited rural potential where they do not constrain surrounding agricultural operations.</i></li></ul>
<p><b>Performance Criteria P1.1</b></p> <p><i>A dwelling may be constructed where it is demonstrated that:</i></p> <ul style="list-style-type: none"><li><i>a) it is integral and subservient to resource development, as demonstrated in a report prepared by a suitably qualified person, having regard to:</i><ul style="list-style-type: none"><li><i>i) scale; and</i></li><li><i>ii) complexity of operation; and</i></li><li><i>iii) requirement for personal attendance by the occupier; and</i></li><li><i>iv) proximity to the activity; and</i></li><li><i>v) any other matters as relevant to the particular activity; or</i></li></ul></li><li><i>b) the site is practically incapable of supporting an agricultural use or being included with other land for agricultural or other primary industry use, having regard to:</i><ul style="list-style-type: none"><li><i>i) limitations created by any existing use and/or development surrounding the site; and</i></li><li><i>ii) topographical features; and</i></li><li><i>iii) poor capability of the land for primary industry operations (including a lack of capability or other impediments); and</i></li></ul></li></ul>
<p><b>Performance Criteria P1.2</b></p> <p><i>A dwelling may be constructed where it is demonstrated that wastewater treatment for the proposed dwelling can be achieved within the lot boundaries, having regard to the rural operation of the property and provision of reasonable curtilage to the proposed dwelling.</i></p>
<p><b>Comment:</b></p> <p>An agricultural report undertaken by AK Consultants has assessed the agricultural capability of the title as a whole, in consideration of land capability, water availability and constraint due to topography, size and conservation values. The report concludes that the title effectively has no practical agricultural value and little value for connectivity with the adjoining grazing land due to the limited area that would be available for use.</p> <p>A wastewater report undertaken by Geo-Environmental Solutions is included with the application. The report recommends an Aerated Wastewater Treatment System (AWTS) as the preferred means of treatment, which provides for a higher quality,</p>

secondary treatment of wastewater which is then irrigated to the surface. This type of system is suitable for area constrained sites or sites with higher environmental sensitivities and is common throughout the karst area. The irrigation area of approximately 170m<sup>2</sup> is indicated on the site plan.

#### 26.4.1 Building Location and Appearance

##### **Objective**

*To ensure that the:*

- a) ability to conduct extractive industries and resource development will not be constrained by conflict with sensitive uses; and*
- b) development of buildings is unobtrusive and complements the character of the landscape.*

##### **Performance Criteria P2**

*Buildings must be setback so that the use is not likely to constrain adjoining primary industry operations having regard to:*

- a) the topography of the land; and*
- b) buffers created by natural or other features; and*
- c) the location of development on adjoining lots; and*
- d) the nature of existing and potential adjoining uses; and*
- e) the ability to accommodate a lesser setback to the road having regard to:
  - i. the design of the development and landscaping; and*
  - ii. the potential for future upgrading of the road; and*
  - iii. potential traffic safety hazards; and*
  - iv. appropriate noise attenuation.**

##### **Comment**

The proposed dwelling is located to the north-western side of the property, toward Mayberry Road and away from boundaries with adjoining agricultural uses. The location complies with the 200 metre setback, being 207 metres and 257 metres from the grazing land to the east and north east respectively and 382 metres from the boundary with the Mole Creek Karst National park to the south.

The setback to the boundary to the north, across Mayberry Road, is 190 metres and the setback to the Mayberry Road road reserve is 37 metres. The land to the north of Mayberry Road is dense forest which continues across the boundary into the adjoining title for another 180 metres, over a prominent knoll between Mayberry Road and Stephens Road. This topography provides a substantive buffer to the agricultural activities to the north.

The building is visible in part when driving south along Mayberry Road, due to gaps in the roadside vegetation. Whilst there are no skyline or roofline impacts due to the significant vegetation behind the development site, the building will be visible in the landscape, compounded by the need to keep the power line easement clear.

The building is modest in height, however there is merit in requiring some additional planting of suitable vegetation to the front boundary to screen the long view on approach to the south. This will better meet the objective for visual impact

in the landscape and will also provide an environmental benefit for sinkhole stabilisation (refer karst assessment).

**Recommended condition:**

- Screening vegetation is to be planted along the front boundary with Mayberry Road for a distance of 200m southwards from the existing access where there are gaps in vegetation, excluding sight distance requirements at the new access, to the satisfaction of Council's Town Planner.

**E4 Road and Railway Asset Code**

**E4.7.2 Management of Road Accesses and Junctions**

**Objective**

*To ensure that the safety and efficiency of roads is not reduced by the creation of new accesses and junctions or increased use of existing accesses and junctions.*

**Performance Criteria P2**

*For limited access roads and roads with a speed limit of more than 60km/h:*

- a) access to a category 1 road or limited access road must only be via an existing access or junction or the development must provide a significant social and economic benefit to the State or region; and*
- b) any increase in use of an existing access or junction or development of a new access or junction to a limited access road or a category 1, 2 or 3 road must be dependent on the site for its unique resources, characteristics or locational attributes and an alternate site or access to a category 4 or 5 road is not practicable; and*
- c) an access or junction which is increased in use or is a new access or junction must be designed and located to maintain an adequate level of safety and efficiency for all road users.*

**Comment**

A Traffic Impact Assessment has been undertaken by RK Consulting Engineers.

The report concludes that the proposed location of the new access is the optimum location in consideration of the road geometry and road design speed of 90kph in order to safely accommodate the residential use. The existing access is to be closed in order to improve the safety of the access to the site. The access is designed with a 6 metre width to accommodate two vehicles.

The report states that ongoing vegetation trimming to either side of the access will be required to maintain a 210 metre sight distance.

**Recommended condition:**

- Vegetation to either side of the access is to be maintained to ensure a safe sight distance of 210 metres.

## E6.0 Car Parking and Sustainable Transport Code

### E6.7.2 Design and Layout of Car Parking

#### **Objective**

*To ensure that car parking and manoeuvring space are designed and laid out to an appropriate standard.*

#### **Performance Criteria P2**

*Car parking and manoeuvring space must:*

- a) be convenient, safe and efficient to use having regard to matters such as slope, dimensions, layout and the expected number and type of vehicles; and*
- b) provide adequate space to turn within the site unless reversing from the site would not adversely affect the safety and convenience of users and passing traffic.*

#### **Comment**

The driveway is approximately 123 metres in length with a width of 4 metres. No passing bays are indicated. This is slightly narrower than a two car passing width of 4.5 metres and given the environmental sensitivities of the site it is considered appropriate to provide for vehicle passing without the need to move beyond a formed trafficable surface. It is considered appropriate to widen the driveway by 500mm for its entire length.

#### **Recommended condition:**

- **An all-weather, trafficable driveway surface is to be provided from the access crossover to the parking area at a minimum width of 4.5 metres.**

## E8 Biodiversity Code

### E8.6.1 Habitat and Vegetation Management

#### **Objective**

*To ensure that:*

- a) vegetation identified as having conservation value as habitat has priority for protection and is appropriately managed to protect those values;*
- b) and the representation and connectivity of vegetation communities is given appropriate protection when considering the impacts of use and development.*

#### **Performance Criteria P2**

*Clearance or disturbance of native vegetation must be consistent with the purpose of this Code and not unduly compromise the representation of species or vegetation communities of significance in the bioregion having regard to the:*

- a) quality and extent of the vegetation or habitat affected by the proposal, including the maintenance of species diversity and its value as a wildlife corridor; and*
- b) means of removal; and*
- c) value of riparian vegetation in protecting habitat values; and*

- d) *impacts of siting of development (including effluent disposal) and vegetation clearance or excavations, , in proximity to habitat or vegetation; and*
- e) *need for and adequacy of proposed vegetation or habitat management; and*
- f) *conservation outcomes and long-term security of any offset in accordance with the General Offset Principles for the RMPS, Department of Primary Industries, Parks, Water and Environment.*

**Comment:**

The dwelling requires some removal of native vegetation to accommodate the hazard management area for bushfire protection, for a total distance of 35 metres from the building. The building protection zone requires full clearance for 20 metres, with 15 metres being a fuel modified buffer zone which can allow for specimen vegetation retention with understorey clearance. The development site is not mapped as Priority Habitat (Refer Figure 3 below).



**Figure 3 – Priority Habitat overlay**

The approximate extent of the hazard management area is shown in Figure 4 below.





Figure 4 – Approximate proposed vegetation clearance for hazard management area.

The area to be cleared is mapped in Tasveg 3.0 as *Acacia dealbata* (Silver Wattle) *non eucalypt forest and woodland*, which generally reflects the area that has been previously cleared and is now regrowth. This community is not listed as having any conservation significance. The established riparian vegetation will be retained within 14 metres of the top of the creek bank. The retention of riparian vegetation ensures that the habitat corridor values are maintained. The difference between the riparian vegetation and regrowth vegetation can be seen in Photo 3 below.

The development effectively requires re-clearance of part of an area that was originally cleared. It is considered that habitat values are retained and that the representation and connectivity of vegetation communities is not adversely affected.



Photo 3 – View of vegetation to the south east of dwelling site, showing younger wattle regrowth in the foreground and established riparian eucalypt behind.

<b>E9 Water Quality Code</b>
<b>E9.6.1 Development and Construction Practices and Riparian Vegetation</b>
<p><b>Objective</b></p> <p><i>To protect the hydrological and biological roles of wetlands and watercourses from the effects of development.</i></p>
<p><b>Performance Criteria P1</b></p> <p><i>Native vegetation removal must submit a soil and water management plan to demonstrate:</i></p> <ul style="list-style-type: none"> <li><i>a) revegetation and weed control of areas of bare soil; and</i></li> <li><i>b) the management of runoff so that impacts from storm events up to at least the 1 in 5 year storm are not increased; and</i></li> <li><i>c) that disturbance to vegetation and the ecological values of riparian vegetation will not detrimentally affect hydrological features and functions.</i></li> </ul>
<p><b>Comment</b></p> <p>Some regrowth vegetation is proposed to be removed to within 14 metres of the top of the creek bank. The area surrounding the dwelling will be managed in a minimum fuel state for bushfire protection with appropriate grass cover to 100mm. The land between the hazard management area and the watercourse will remain as dense, undisturbed riparian vegetation. Due to the topography of the land, only water runoff from the hazard management area to the south and east of the dwelling will move through the narrowest part of the riparian vegetation toward the creek. This area is not proposed to be hardstand and it is assumed that it will be grass, receiving only overland flow from the upper slopes of the property,</p>

however the application is not explicit. A grassed hazard management area to areas upslope of the creek will ensure that the water quality of Marakoopa Creek is protected. It is considered appropriate to condition for a more explicit soil and water management plan for the treatment of the hazard management area to prevent any erosion or sediment loss.

**Recommended condition:**

- A soil and water management plan is to be submitted providing detail of the treatment of the hazard management area to rehabilitate areas of bare soil and provide for long term sediment and erosion control to maintain surface water quality, to the satisfaction of Council's Town Planner.

**E9.6.3 Construction of Roads**

**Objective**

*To ensure that roads, private roads or private tracks do not result in erosion, siltation or affect water quality.*

**Performance Criteria P1**

*Road and private tracks constructed within 50m of a wetland or watercourse must comply with the requirements of the Wetlands and Waterways Works Manual, particularly the guidelines for siting and designing stream crossings.*

**Comment**

The parking area is the only hardstand area within 50 metres of Marakoopa Creek. This area drains to a grass edge and generally downslope away from the creek. This treatment complies with measures described in the *Wetlands and Waterways Works Manual* and it is considered that there will be no adverse impact on water quality.

**E15 Karst Management Code**

**E15.5 Use Standards**

**Objective**

- a) To ensure that use is managed to minimise adverse impacts on the Karst System.*

**Performance Criteria P2**

*Wastewater disposal fields must be located at a suitable distance from sinkholes and caves to:*

- a) avoid an increase in potential for ground surface or land instability;*
- b) avoid pollution of subterranean waterways as a result of runoff directly entering the karst system.*

**Comment**

A karst assessment for the whole site was undertaken by Nathan Duhig, Geomorphologist, to determine areas suitable for development. Three areas were identified. The wastewater field is located within the northern portion of the area

adjacent to Mayberry Road.

A wastewater assessment by Geo-Environmental Solutions has undertaken more detailed analysis of the soil and geological conditions in this area and has concluded that an AWTS is the most appropriate form of treatment to prevent contamination of the karst system. This system utilises secondary treatment and surface irrigation to evaporate wastewater with vegetation taking up nutrients. The area has a clay soil profile with a depth of 1.8 – 2.0 metres. This system is commonly used throughout the karst area and is considered appropriate to meet the objective.

#### **E15.6.1 Sedimentation and pollution**

##### ***Objective***

*To ensure that the impacts of development are managed to minimise erosion and to prevent sediment and pollution entering the Karst System.*

##### ***Performance Criteria P2***

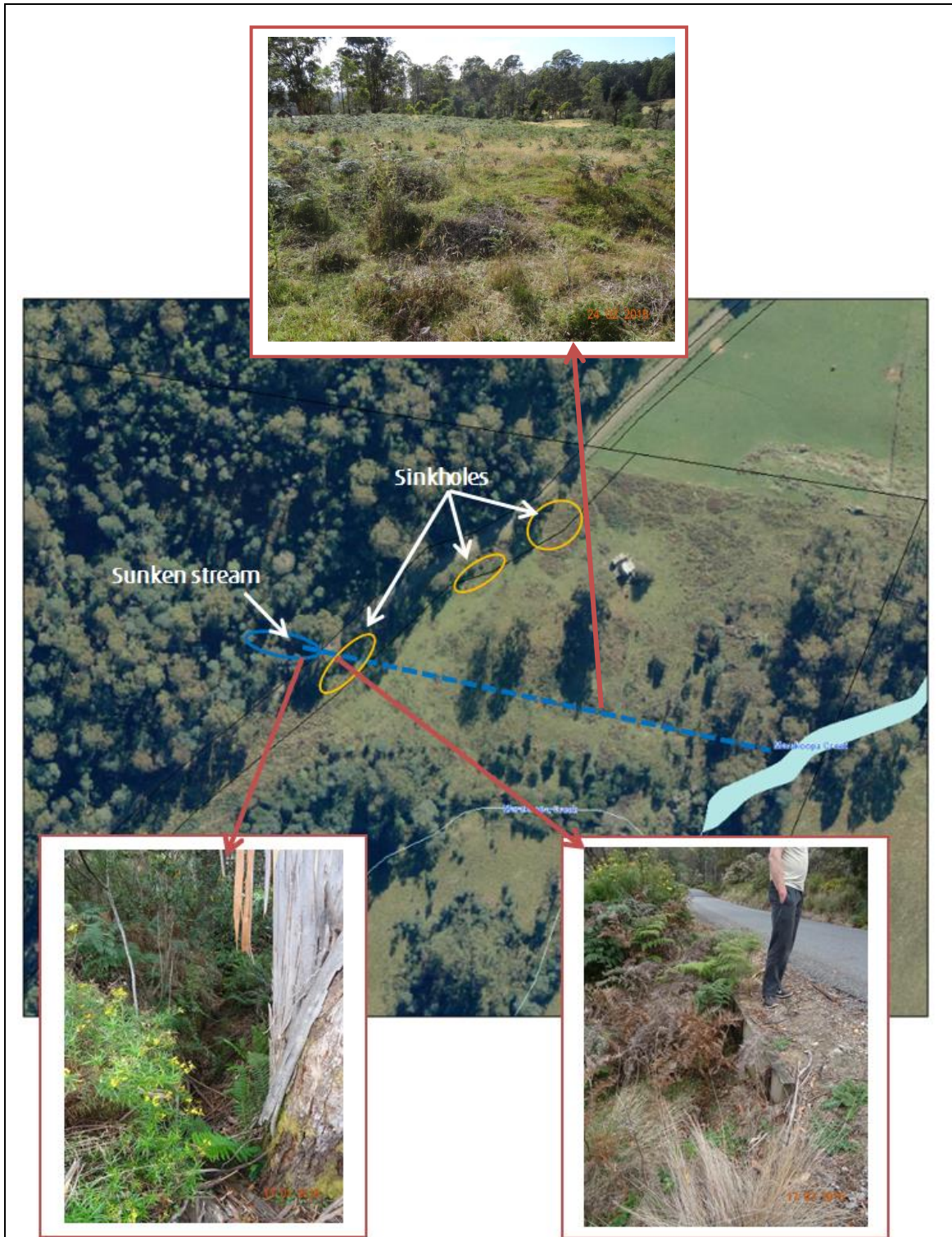
*Sediment and pollutant loss into the karst system is to be minimised through:*

- a) the use of sediment control measures;*
- b) the avoidance of karst features and subterranean cavities in the construction of subsurface infrastructure;*
- c) vegetation retention or permanent perennial ground cover between the development and karst features;*
- d) improvement of vegetation cover in critical areas for soil conservation, such as steep slopes, unstable soils and riparian areas;*
- e) directing on-site effluent disposal away from Karst features;*
- f) the use of specialised, lower impact on-site effluent disposal systems.*

##### **Comment**

The assessment by Nathan Duhig describes three areas that are suitable for small scale development. These are highlighted in yellow outline in Figure 1 of the report included in the application as Annexure 4. Duhig describes these areas as suitable due to the slope deposits that provide a clay and boulder cover of reasonable depth over the limestone that should provide sufficient protection to karst values. This mantle is much thinner around the existing cabin and is not recommended for development. Duhig indicates that the area adjacent to Mayberry Road could be extended northwards, depending on the degree of soil cover.

The driveway works are located the closest to karst features near Mayberry Road. These features include sinkholes near the road boundary and a sunken stream that crosses beneath Mayberry Road and through the site toward Marakoopa Creek (refer Figure 5 below). These works are proposed to be surface laying of an all-weather driveway. Duhig states that with appropriate management of surface conditions to avoid sediment loss and erosion, karst values will be protected. The driveway is low impact and domestic in scale with drainage being dispersed to the grass edge along its length. Drilling undertaken in the area to the north of the Duhig nominated area indicates 2 metres of soil cover.



**Figure 5 – Diagram of karst features**

In context, it is notable that Mayberry Road, just a few metres to the north, is far more substantial infrastructure that also crosses the stream. There is no current evidence of, or history of, subsidence in this road which indicates as Duhig suggests, that the area is reasonably stable and can be managed to protect karst values. These measures include minimising ground disturbance, maintaining ground cover vegetation, diffuse drainage, planting of stabilising vegetation and using

specialised on-site effluent disposal systems.

There is substantive ground cover over approximately 85 metres between the building and the sinkholes/stream adjacent to Mayberry Road. The wastewater field is discussed above. Whilst there are no signs of current instability, as discussed above, it is considered that there are merits in requiring additional planting along the Mayberry Road boundary both for visual impacts and also as it provides an opportunity to act to strengthen the sinkhole areas adjacent to both road and driveway.



**Photo 4 - View north east along northern half of driveway alignment**



Photo 5 – DPIPWE officer standing in sinkhole adjacent to Mayberry Road, on line of sunken stream.

In constructing the driveway and the wastewater system, it is important that the land is rehabilitated as quickly as possible to keep surface impacts to a minimum and ensure they are temporary. It is considered appropriate to include a condition that requires that rehabilitation of construction areas be undertaken in a timely manner.

**Recommended condition:**

- Surface disturbance beyond the extent of the driveway, parking area and building and hazard management area is to be rehabilitated with perennial ground cover, upon completion of these works.

**E15.6.2 High Sensitivity Karst Features**

***Objective***

*To ensure that the environmental values of the higher sensitivity karst systems are protected through the appropriate location and treatment of development.*

***Performance Criteria P1***

*A report prepared by a suitably qualified person must demonstrate that that the development does not result in the following impacts:*

- damage to sites of scientific significance;*
- damage to karst features;*
- blockage of sinkholes or caves;*
- induce unacceptable levels of surface soil erosion and sedimentation into the karst system;*
- creation of a safety hazard;*
- increase potential for ground surface or land instability;*
- pollution of surface or subterranean waterways;*

- h) adversely lower the water table;*
- i) adversely increase subterranean water flow;*
- j) significant alteration of the surface hydrology.*

*The report is to include any measures for the location of development or treatment of development that will mitigate adverse impacts on the Karst system.*

#### **Comment**

The reports prepared by Duhig and Geo-Environmental Solutions describe areas of the site that are suitable for development and the manner in which development should be undertaken to avoid adverse impacts on karst values. The location and small scale of the development have been specifically chosen to be consistent with these recommendations. Development can be accommodated on the site when undertaken with sensitivity to karst values and the particular geological conditions.

The proposal however, includes stormwater irrigation immediately upslope of the dwelling. Whilst this will only occur when the water tanks overflow and the quality of the water will be high as it is excess rain water, there is potential to cause land instability. The most efficient means of dispersing excess stormwater runoff in a karst area is through a dispersed system to the surface where there is a good degree of vegetation cover, along the contour. The area that is most suitable for dispersal in this instance is downslope of the dwelling to the east. It is considered appropriate that the stormwater system be modified to be downslope of the dwelling and a simpler dispersal system that does not require the installation of a pump well.

The results of the Duhig report are supported by another qualified geomorphologist in the State government, all of which have spent time on the site analysing the geological characteristics and the preferred response. The PCAB advice is attached which responds to the previous location of the dwelling and reinforces Duhig's original identified areas for development as being suitable.

#### **Recommended condition:**

- **Prior to the commencement of works, an amended stormwater system is to be submitted to Council to locate a diffuse spreader downslope of the dwelling, to the satisfaction of Council's Town Planner.**

#### **Representations:**

The two representations raised similar issues. Comments are made below in regard to the matters raised.

1. Environmental impacts on the karst system
  - Karst management plan and draft conservation are not being adhered to.
  - Karst protection should be the highest priority.



- The drainage system of Mayberry is primarily through the subterranean karst system. Four properties draw water from Marakoopa Creek for domestic, commercial catering and stock use, downstream of the proposed development.
- Wastewater and stormwater can enter the karst system. Development within 50m of a waterway and 40m of sinkholes should not be allowed within a high sensitivity karst area.
- Considers soil coverage to be meaningless (provides examples of subsidence arising from fence posts)
- No information is given for karst to the north side of Mayberry Road. Identifies sunken stream below the road and the risk of contamination by the wastewater field.
- Impact of the length of the driveway and increased disturbance. Option of moving access to the west with a turning bay opposite.
- Has not considered high rainfall events such as that experienced in recent years and the potential impacts on surface and groundwater.
- Land clearance area is greater than the building. More damage will occur than from prior use.
- What monitoring will there be for impacts on vegetation, karst and water flows?
- The application states that "there are no known sinkholes or caves". The dynamic nature of karst means that they could surface at any time.

**Comment:**

Higher order management plans relating to the karst system cannot be considered as part of a development assessment, nor can the draft conservation covenant as it does not yet exist in law. Consideration is limited to the objectives and criteria of the planning scheme only. The standards, objectives and criteria of the planning scheme are not prohibitive, but nominate thresholds that allow for a proposal to reasonably demonstrate that adverse impacts on karst can be avoided.

It is recognised that the application report contains some errors in acknowledging the degree of karst formation on the property, however the specialist reports undertaken by Duhig and Geo-environmental Solutions together with the analysis provided by State karst specialists, are clear that provided development is undertaken in the identified location in a sensitive manner, karst values are appropriately protected from pollution and physical damage. These assessments consider the variable conditions that occur on the site, in the broader karst system such as with high rainfall events and the connectivity of karst features in the area. The recommended conditions for the permit 'fine tune' the development response to ensure that measures described by the karst specialists are carried out and that improvements are made to the current situation. The extent of vegetation clearance is within the line of that which was previously cleared.

The State Government Department of Health and Human Services does not recommend or sanction the use of untreated water extracted from a watercourse for human consumption. This is due to the high levels of bacteria that occur in watercourses from native animals, stock animals and runoff from agricultural land. As discussed above, the assessment of the proposal by specialists indicates that the wastewater system is appropriate and will not increase bacterial load such that it will have an adverse impact on watercourses or the karst system.

The landowner is required to maintain compliance with the permit at all times. Council as the planning authority is required under the legislation to enforce planning permits.

## 2. Currency of reports

- Questions currency of Duhig and AK Consultants reports

### **Comment:**

In investigating the potential of the site for development, the Tasmanian Land Conservancy commissioned several expert reports. This process commenced some time ago with an earlier application being made to the Tasmanian Planning Commission for a different location on the property.

The physical circumstances surrounding these reports have not changed in the interim period such that the information would be considered outdated or redundant. The technical assessment remains relevant and as such, updated reports are considered unnecessary.

## 3. Use

- There is no justification for a dwelling to be constructed
- Property should be left to regenerate
- Application states "no vegetation is proposed to be removed". If the state of the land is to remain as existing, what are the benefits of a house? There are not benefits to the land.
- Questions statements regarding custodianship and evidence of degradation as the land has been unoccupied for decades. A team of Landcare volunteers is an alternative for weed management.
- How will the property be maintained to comply with the bushfire protection requirements if it is only for periodic use as a holiday house?
- Concerns with the TLC purchasing but not conserving the property. Pursuit of planning approval for a dwelling which will cause an impact that cannot be estimated.
- Covenant does not allow for a dwelling.

### **Comment:**

The Rural Zone considers use of land for purposes other than resource development (agriculture etc.) where it can be demonstrated that the land cannot be practically utilised for resource development. The intent of the zone is to reasonably provide that resource development uses continue, not to sterilise land if this is not a feasible option.

Currently the land is subject to a degree of weed recurrence. This has been treated previously by the TLC, however resourcing of that organisation means that attendance and monitoring of the site is constrained. In this instance, it is considered that a permanent residence will improve the management of the land. The land is not in a natural state, despite its conservation value. It has a high degree of historical disturbance with land clearance and a cabin, with cavers using the site and undertaking some works in exchange.

The motivations of the TLC or the terms of the draft covenant, cannot be considered as part of this assessment as it is not a relevant consideration of the planning scheme.

As discussed above, Council is required to enforce compliance with any planning permit issued.

#### 4. Waterflows

- Easement to provide water for domestic and stock water is fed from the creek. There will be interference to quality and flow.

#### **Comment:**

There is not expected to be any interruption to the current flow of Marakoopa Creek as the application does not propose to extract water. There are no easements on the subject title in regard to water supply.

Water quality is discussed above and is considered to be appropriately protected through setbacks, perennial ground cover and the higher quality, wastewater system.

#### 5. Impacts on adjoining landowners

- The draft covenant does not allow for control of native animals without Ministerial approval. This places an unreasonable burden on neighbouring landowners and creates a haven for native animals to increase numbers. This will reduce the productivity of neighbouring properties with private landowners already shouldering the responsibility for fencing reserve/state forest boundaries.
- Application does not address limitations imposed on neighbours.
- Restriction of practice on adjoining properties: 250 metres for firearms, cannot shoot in the direction of a dwelling and 300m for spraying.

#### **Comment:**

Current firearms legislation prohibits the shooting of animals on third party land without permission. Therefore, the situation that currently exists on this property will not change.

At the shortest dimension of 207 metres setback to the eastern boundary there will be a segment of land that will fall within the 250 metre limitation for firearms, however the main area of concern indicated in the representation appears to be setback just beyond 250 metres from the proposed dwelling and should not be restricted. Limitations on direction of shooting are not considered to be a significant impediment to adjoining agricultural uses when shooting can still occur.

Other options to manage the movement of wildlife such as wallaby fencing are also feasible, with obligations shared between private landowners.

Ground based spraying can be undertaken to the boundary with care and the regulatory setback for aerial spraying is 100 metres. Spraying and fertilising activities are not expected

to be impacted by the location of the dwelling as the separation is in excess of 200 metres and the dwelling is buffered by the riparian vegetation along Marakoopa Creek.



Photo 6 – View to the closest neighbouring pasture to the east, from half way along proposed driveway. Dwelling is not visible from this paddock.

6. Expectations for no property development in the area when purchasing.

There has never been an absolute prohibition on development within the karst area, with applications being required to demonstrate that the proposal will appropriately consider and protect karst values.

### Conclusion

The proposed location of the dwelling appropriately considers the complexity of karst values together with other environmental, technical and visual considerations. The potential impacts of the use and development are low in scale and can be managed through the recommended conditions.

**AUTHOR:** Jo Oliver  
SENIOR TOWN PLANNER

## 12) Recommendation

*That the application for use and development for a Residential dwelling on land located at 279 Mayberry Road, Mayberry (CT 230877/1), by Woolcott Surveys, requiring the following discretions:*

- 26 Rural Resource Zone*
- 26.3.2 New dwelling*
- 26.4.1 Building setback for a sensitive use*

E4 Road and Railway Asset Code

E4.7.2 *New access*

E6 Car Parking and Sustainable Transport Code

E6.7.2 *Width of access*

E8 Biodiversity Code

E8.6.1 *Removal of native vegetation*

E9 Water Quality Code

E9.6.1 *Vegetation removal within 40 metres of a water course*

E9.6.3 *Construction of road within 50 metres of a watercourse*

E15 Karst Management Code

E15.5 *Setback of wastewater field to sinkhole*

E15.6.1 *Development within 100 metres of a karst feature*

E15.6.2 *Site contains high sensitivity karst feature*

*be APPROVED, generally in accordance with the endorsed plans and subject to the following conditions:*

1. The use and development must be carried out as shown and described in the endorsed plans and report:
  - a) Woolcott Surveys – Application for a Two Bedroom Eco-Cabin, April 2015to the satisfaction of the Council. Any other proposed development and/or use will require a separate application to and assessment by the Council.
2. Prior to the commencement of works:
  - a) an amended stormwater system is to be submitted to Council to locate a diffuse spreader downslope of the dwelling, to the satisfaction of Council's Town Planner.
  - b) a soil and water management plan is to be submitted providing detail of the treatment of the hazard management area to rehabilitate areas of bare soil and provide for long term sediment and erosion control to maintain surface water quality, to the satisfaction of Council's Town Planner.
3. Surface disturbance beyond the extent of the driveway, parking area and building and hazard management area is to be rehabilitated with perennial ground cover, upon completion of these works, to the satisfaction of Council's Town Planner.
4. An all-weather, trafficable driveway surface is to be provided from the access crossover to the parking area at a minimum width of 4.5 metres.
5. Vegetation to either side of the access is to be maintained to ensure a safe sight distance of 210 metres.
6. Screening vegetation is to be planted along the front boundary with Mayberry Road for a distance of 200m southwards from the existing access where there are gaps in vegetation, excluding sight distance requirements at the new access, to the satisfaction of Council's Town Planner.

Notes:

1. This permit does not imply that any other approval required under any other by-law or legislation has been granted. At least the following additional approvals will be required by Council before construction commences:
  - a) Building permit
  - b) Plumbing permit
  - c) Special Plumbing Permit

All enquiries should be directed to Council's Permit Authority on 6393 5322.

2. This permit takes effect after:
  - a) The 14 day appeal period expires; or
  - b) Any appeal to the Resource Management and Planning Appeal Tribunal is abandoned or determined; or.
  - c) Any other required approvals under this or any other Act are granted.
3. This permit is valid for two (2) years only from the date of approval and will thereafter lapse if the development is not substantially commenced. A once only extension may be granted if a request is received at least 6 weeks prior to the expiration date.
4. A planning appeal may be instituted by lodging a notice of appeal with the Registrar of the Resource Management and Planning Appeal Tribunal. A planning appeal may be instituted within 14 days of the date the Corporation serves notice of the decision on the applicant. For more information see the Resource Management and Planning Appeal Tribunal website [www.rmpat.tas.gov.au](http://www.rmpat.tas.gov.au).
5. If any Aboriginal relics are uncovered during works;
  - a) All works are to cease within a delineated area sufficient to protect the unearthed and other possible relics from destruction,
  - b) The presence of a relic is to be reported to Aboriginal Heritage Tasmania Phone: (03) 6233 6613 or 1300 135 513 (ask for Aboriginal Heritage Tasmania Fax: (03) 6233 5555 Email: [aboriginal@heritage.tas.gov.au](mailto:aboriginal@heritage.tas.gov.au)); and
  - c) The relevant approval processes will apply with state and federal government agencies.

## DECISION:

## **DEV 4 DOG REGISTRATION FEES 2015–2016**

### **1) Introduction**

The purpose of this report is for Council to adopt dog registration fees for 2015–2016.

### **2) Background**

Dog registration fees need to be set at the May meeting to ensure the new fees are published by the end of the first week of June.

The fees for the 2014–15 financial year were:

<i>Registration</i>	<i>Regular Fee</i>	<i>If paid by 31 July</i>
Domestic Dog not Desexed	\$58	\$42
Domestic Dog Desexed	\$27	\$14
Working Dog	\$18.50	\$8
Greyhound	\$18.50	\$8
Purebred ( <i>for breeding</i> )	\$24	\$12
Pensioners Dog ( <i>one per pension card</i> )	\$24	\$12
Guide Dog/Hearing Dog ( <i>on production of suitable evidence by applicant</i> )	Nil	Nil
Dangerous Dog	\$500	Not Applicable
Guard Dog	\$58	\$42
<b><i>Other</i></b>		
Renewal of Kennel Licence	\$30	Not Applicable
New Kennel Licence	\$110	
Fee to make a nuisance dog complaint	\$22	
Dangerous Dog Collars	Cost + 10%	
Impounding Fee	\$30	
Second Time	\$50	
Daily Maintenance Fee	\$20 + GST	

### **3) Strategic/Annual Plan Conformance**

The Annual Plan provides for the review of fees in the June quarter.

### **4) Policy Implications**

Policy No. 43 Dog Management provides for the setting of registration fees in May of each year.

## **5) Statutory Requirements**

Section 80 of the Dog Control Act 2000 provides the legislative instrument for Council to set fees.

## **6) Risk Management**

Not Applicable

## **7) Consultation with State Government and other Authorities**

Not Applicable

## **8) Community Consultation**

Not Applicable

## **9) Financial Impact**

In the 2014-2015 financial year Council will collect approximately:

- \$68,000 in dog registration fees and Kennel Licenses
- \$15,000 from infringement notices and poundage fees

## **10) Alternative Options**

Council can elect to amend the proposed fee structure.

## **11) Officers Comments**

Council continues to run a comprehensive service in this program. Council is one of the few remaining Local Government Authorities in the region that provide a 24/7 hour call out service.

In 2014 Council increased fees by 6% to cover the ongoing cost of providing this level of service and the cost of engaging of North West Animal and Pest Control who provide support services when the Animal Control Officer is on leave.

Following the important, but higher than normal increase in fees last year, it would be reasonable for Council to limit the fee increase this year. It is recommended that the fee increase reflects the Council Cost Index (CCI) for 2014-15. The CCI is prepared by LGAT and captures the cost increases associated with the delivery of local government services recognising that the Consumer Price Index alone does not reflect cost increases across the range of council services.

The CCI for 2014-15 is 2.48%.

It is recommended that the fees are increased by CCI and rounded down to the closest 50c except for Dangerous Dog Registration which does not require the same level of work.



**AUTHOR:** Martin Gill  
DIRECTOR DEVELOPMENT SERVICES

## 12) Recommendation

*It is recommended that Council adopt the following dog registration and dog management fees for the 2015-2016 financial year.*

<i>Registration</i>	<i>Regular Fee</i>	<i>If paid by 31 July</i>
Domestic Dog not Desexed	\$59.50	\$43
Domestic Dog Desexed	\$27.50	\$14
Working Dog	\$19	\$8
Greyhound	\$19	\$8
Purebred ( <i>for breeding</i> )	\$24.50	\$12
Pensioners Dog ( <i>one per pension card</i> )	\$24.50	\$12
Guide Dog/Hearing Dog ( <i>on production of suitable evidence by applicant</i> )	Nil	Nil
Dangerous Dog	\$500	Not Applicable
Guard Dog	\$59.50	\$43
<b><i>Other</i></b>		
Renewal of Kennel Licence	\$30.50	Not Applicable
New Kennel Licence	\$112.50	
Fee to make a nuisance dog complaint	\$22	
Dangerous Dog Collars	Cost + 10%	
Impounding Fee	\$30.50	
Second Time	\$51	
Daily Maintenance Fee	\$20 + GST	

## DECISION:

## DEV 5 ENVIRONMENTAL HEALTH FEES 2015-2016

### 1) Introduction

The purpose of this report is for Council to consider Environmental Health fees and charges for 2015-2016.

### 2) Background

Council fees and charges are set in conjunction with the annual budget process and include setting the price for Council activities and services including planning, health, engineering, waste management, cemeteries, building and plumbing.

The Environmental Health fees and charges are determined at the May Council meeting so the 2015 -2016 fees can be published by the end of the first week of June to cater for the timing of the Food License renewals program.

The fees set by Council for the 2014 -2015 financial year are set out in the table below:

<b>Food Premises: (Except for bona fide not for profit organisations)</b>	<b>Fees and Charges</b>
Annual renewal of Registration	
• Low risk	\$52
• Other premises	\$154
<b>Temporary Food Stall Registration (Except for bona fide not for profit organisations)</b>	
0 – 3 months	\$31
3 – 6 months	\$52
6 – 12 months	\$77
Late fee if not received before event	\$36
<b>Public Health</b>	
Places of Assembly - General	\$67
Places of Assembly - Specific Events, greater than 100 people	\$210
Other premises requiring licensing under Public Health Act 1997	\$87
Request for inspection and written reports on food premises for prospective purchasers	\$103

### **3) Strategic/Annual Plan Conformance**

The Annual Plan provided for the review of fees and charges in the June quarter.

### **4) Policy Implications**

Not Applicable

### **5) Statutory Requirements**

Fees and charges are set in accordance with Section 205 of the Local Government Act 1993.

### **6) Risk Management**

Not Applicable

### **7) Consultation with State Government and other Authorities**

Not Applicable

### **8) Community Consultation**

Not Applicable

### **9) Financial Impact**

Environmental Health Fees and charges are estimated to generate approximately \$26,000 in revenue in 2014-2015.

### **10) Alternative Options**

Council can elect to retain the current fee structure

### **11) Officers Comments**

The regulatory environment influencing the Environmental Health program has directly and indirectly impacted the cost of running the program.

The cost of external consultants and laboratory testing has increased in 2014-15, in response to new requirements in Work Health and Safety legislation. The costs are generally passed on to the end client, which in this case is Council. These cost increases have affected the Food Safety Awareness Program and the water sampling program.

A good example of these increased costs was a food safety analysis program run by Food Services in the Department of Health and Human Services this year. Council was asked by Food Services to send examples of sandwiches from local businesses for analysis. Previously the costs of the analysis were covered by the Department, this year Council was charged about \$400 per sandwich.

In order for the program to manage these types of cost increases and continue to provide the same level of service to our community, it is recommended that the Environmental Health fees are increased. It is recommended that the fee increase reflects the Council Cost Index (CCI) for 2014-15. The CCI is prepared by LGAT and captures the cost increases associated with the delivery of local government services recognising that the Consumer Price Index alone does not reflect cost increases across the range of council services.

The CCI for 2014-15 is 2.48%.

It is recommended that fees are increased by CCI and rounded down to the nearest 50c.

**AUTHOR:** Martin Gill  
DIRECTOR DEVELOPMENT SERVICES

## 12) Recommendation

*It is recommended that Council adopt the proposed fees and charges as set out in the table below for 2015-16:*

Food Premises: (Except for bona fide not for profit organisations)	Fees and Charges
Annual renewal of Registration	
<ul style="list-style-type: none"> <li>• Low risk</li> <li>• Other premises</li> </ul>	<p>\$53</p> <p>\$158</p>
<b>Temporary Food Stall Registration</b>	
<ul style="list-style-type: none"> <li>• (Except for bona fide not for profit organisations)</li> </ul>	
0 – 3 months	\$32
3 – 6 months	\$53
6 – 12 months	\$79
Late fee if not received before event	\$37
<b>Public Health</b>	
Places of Assembly - General	\$69
Places of Assembly - Specific Events, greater than 100 people	\$215
Other premises requiring licensing under Public Health Act 1997	\$89
Request for inspection and written reports on food premises for prospective purchasers	\$106

## DECISION:

## **GOV 1 FINANCIAL ASSISTANCE GRANTS TO LOCAL GOVERNMENT**

### **1) Introduction**

The purpose of this report is to consider the impact of the Commonwealth Government's 2014 Budget decision to freeze indexation of the Financial Assistance Grants (FAGs) paid to local government.

### **2) Background**

FAGs are a vital part of the revenue base of all councils, and this year councils will receive \$2.3 billion from the Australian Government under this important program.

The Government's decision in the 2014 Federal Budget to freeze the indexation of FAGs for three years beginning in 2014-15 will unfortunately cost councils across Australia an estimated \$925 million by 2017-18.

The Australian Local Government Association (ALGA) and the state local government associations are seeking the support of Council for advocacy to have the Federal Government reverse the decision to freeze the indexation of FAGs.

While the FAGs are paid through each state's Local Government Grants Commission, the funding originates with the Commonwealth and it is important it is recognised as such. Council, and every other council in Australia, have been asked to pass a resolution acknowledging the importance of the Commonwealth's FAGs in assisting Council to provide important community infrastructure.

Council is also being asked to acknowledge the receipt of FAGs from the Commonwealth in media releases and council publications including our Annual Report and to highlight to the media a council project costing a similar size to the FAGs received by Council so that the importance and impact of the grants can be more broadly appreciated.

ALGA is writing to local Members of Parliament, Mr Eric Hutchinson MP and Mr Andrew Nicolich MP, drawing attention to the impact on the electorate, and asking for their strong support for the restoration of indexation of the FAGs and for the matter to be raised with the Treasurer.

ALGA is seeking Council's support to take up the issue with both Members of Parliament to highlight the specific implications of the FAGs indexation freeze.

### **3) Strategic/Annual Plan Conformance**

The loss of indexation of FAGs has a direct impact on Strategic Outcome 5.2 – "Long term financial planning and asset management underpins the ongoing viability of Meander Valley".

#### **4) Policy Implications**

Not Applicable

#### **5) Statutory Requirements**

Not Applicable

#### **6) Risk Management**

Not Applicable

#### **7) Consultation with State Government and other Authorities**

Not Applicable

#### **8) Community Consultation**

Not Applicable

#### **9) Financial Impact**

The Commonwealth Government's 2014 Budget decision to freeze indexation of FAGs will result in a permanent base reduction of about 13% once the freeze ends.

ALGA estimates that the thirteen councils within the electorate of Lyons will receive combined FAGs payments of \$30,927,085 from the Government this financial year. The full impact of the indexation freeze will see an electoral wide loss of up to \$12,061,904 by the time the freeze ends in 2017-18.

Specifically for Meander Valley Council's case, ALGA projects that Council will receive \$4,271,085 in FAGs payments this financial year. It is important to note that the full impact of the indexation freeze will not be felt until the final year, by which time ALGA estimates Council will have lost as much as \$1,665,723.

#### **10) Alternative Options**

Council can elect to not take any action on the issue.

#### **11) Officers Comments**

The Commonwealth Government's budget decision to freeze indexation on FAGs drew very little comment from the media and general community when it was announced. While ALGA and the state local government associations have lobbied the Government to reintroduce indexation, it has been a very much behind the scenes activity.

This action being proposed by ALGA and the Local Government Association of Tasmania (LGAT) is an opportunity to bring the issue to the attention of the media and broader community.

**AUTHOR:** Greg Preece  
GENERAL MANAGER

## 12) Recommendation

*It is recommended "that Council*

- a) Acknowledges the importance of federal funding through the Financial Assistance Grants program for the continued delivery of councils services and infrastructure;*
- b) Acknowledges that the council will receives \$4,721,085 million in 2014-15;*
- c) Will ensure that this federal funding and other funding provided by the Federal Government under relevant grant programs, is appropriately identified as Commonwealth grant funding in council publications, including annual reports; and*
- d) Write to the Members of Parliament to highlight the specific implications of the FAGS indexation freeze.*

**DECISION:**



10 April 2015

Mayor Craig Perkins  
Meander Valley Council  
PO Box 102  
WESTBURY TAS 7303

Index No. <i>S15 03 003</i>				
Doc No.				
Batch No.				
RCV'D	15 APR 2015			MVC
Action Officer	<i>GP</i>	Dept.	<i>G</i>	
EO	<input checked="" type="checkbox"/>	OD	BOX	

Dear Mayor Perkins

**Financial Assistance Grants to Local Government**

Local councils across Australia have recently received the third quarterly payment of Commonwealth Financial Assistance Grants (FAGs) to local government for this financial year. FAGs are an important untied payment to councils from the Australian Government which are invested in essential community infrastructure and services ranging from local roads and parks to swimming pools and libraries. Councils will receive \$2.3 billion from the Australian Government in 2014-15 under this important program.

ALGA welcomes the payment of FAGs to local government, and acknowledges the importance of this direct funding link between the Commonwealth and local government. However, it is also important that the level of funding provided to councils, the sphere of government closest to the community, is adequate to ensure infrastructure and services are provided at a reasonable level in all communities.

FAGs funding is not currently keeping pace with demand for services and infrastructure in local communities, and the freeze of indexation will worsen this. Freezing FAGs at their current level until 2017-18 will result in a permanent reduction in the FAGs base by 13%.

ALGA, in its 2015 Federal Budget submission, has called for FAGs indexation to be restored immediately and for the Federal Government to consider the adequacy of the quantum of FAGs and the indexation methodology in the future.

While the FAGs are paid through each state's Local Government Grants Commission, the funding originates with the Commonwealth and it is important it is recognised as such. We are asking your council, and every other council in Australia, to pass a resolution acknowledging the importance of the Commonwealth's Financial Assistance Grants in assisting councils to provide important community infrastructure. We are also asking councils to acknowledge the receipt of Financial Assistance Grants from the Commonwealth in media releases and council publications, including your annual report.

The FAGs are paid quarterly and it would help to illustrate the importance and impact of the grants if councils identified an individual project of a similar size to their annual or quarterly FAGs payment and highlighted this to the media and your local Federal Member and Senator in a positive story on the grant funds.



Falling levels of Financial Assistance Grants threaten the provision of important services in all local communities. The financial sustainability of local government is of utmost importance for our communities, and we urge you to support the campaign to maintain Financial Assistance Grants and restore indexation of the grants by passing a resolution similar to draft resolution attached. Once your council has passed this resolution, please advise ALGA by emailing [alga@alga.asn.au](mailto:alga@alga.asn.au). This will allow us to compile a national list.

Full details on FAGs payments for the current financial year are available on the Department of Infrastructure and Regional Development website at [www.regional.gov.au/local/assistance](http://www.regional.gov.au/local/assistance).

Thank you for your commitment to the local government sector and your assistance in our campaign to restore the indexation of Financial Assistance Grants.

Yours sincerely



Mayor Troy Pickard  
President  
Australian Local Government Association



Mayor Barry Jarvis  
President  
Local Government Association Tasmania



16 April 2015

Mayor Craig Perkins  
Meander Valley Council  
PO Box 102  
WESTBURY TAS 7303

Index No. <i>315 03 003</i>			
Doc No.			
Batch No.			
RCV'D	20 APR 2015	MVC	
Action Officer	<i>GP</i>	Dept.	<i>G</i>
EO	<input checked="" type="checkbox"/>	OD	BOX

Dear Mayor Perkins

**Financial Assistance Grants to Local Government**

We wrote to you recently to seek Council's support in the fight to restore indexation to the Financial Assistance Grants (FAGs) from the Commonwealth Government.

These untied grants are a vital part of Local Government's revenue base, allowing the provision and maintenance of community infrastructure such as local roads, swimming pools and libraries. However, the Commonwealth Government's 2014 Budget decision to freeze indexation for this critical funding source will result in a permanent base reduction of about 13% once the freeze ends.

The Australian Local Government Association (ALGA) is writing to your local Member of Parliament, Mr Eric Hutchinson MP, drawing attention to the impact on the electorate. We are asking for strong support for the restoration of indexation of the grants and for the matter to be raised with the Treasurer. We would also appreciate your support through your own complementary advocacy.

The thirteen councils within the electorate of Lyons will receive combined FAGs payments of \$30,927,960.00 from the Australian Government this financial year. However, if all councils feel the full impact of the indexation freeze, they could see an electorate-wide loss of up to \$12,061,904.40, by the time the freeze ends in 2017-18.

The impact on your council could be just as significant. This financial year you will receive \$4,271,085.00 in FAGs payments. It is important to note that the full impacts of the indexation freeze will not be felt until the final year, by which time we estimate Meander Valley Council alone will have lost as much as \$1,665,723.15. This loss cannot help but impact on the quality of local services and infrastructure you currently provide.

Today we urge you to take up this issue with your MP, to highlight the specific implications of the FAGs indexation freeze. Your Federal MP needs to know the specific services and/or infrastructure that may be at risk as a result.

If you could copy LGAT and ALGA into any such correspondence with your local Federal MP we will continue to build a national record of the specific impacts of this Commonwealth decision, which we can use in our ongoing advocacy work on this matter.

Yours sincerely



Mayor Barry Jarvis  
President  
Local Government Association Tasmania



Mayor Troy Pickard  
President  
Australian Local Government Association

## **GOV 2 COUNCIL SUBMISSION TO THE AUSTRALIAN ENERGY REGULATOR**

### **1) Introduction**

The purpose of this report is to consider a Council response to an Issues Paper released by the Australian Energy Regulator (AER), which outlines the AER's approach to regulating the distribution services offered by TasNetworks.

### **2) Background**

Recently Council received correspondence from Mr Mike Paine, General Manager Engagement and Network Operations at TasNetworks, regarding the AER's framework and approach to the determination of TasNetworks future revenues and price. A copy of this correspondence is attached.

The AER has released an Issues Paper (copy attached) which outlines its proposed approach to regulating the distribution services offered by TasNetworks and is seeking submissions in response to the paper.

There are two matters in particular that TasNetworks believe will be of mutual benefit to themselves and Council.

The first issue relates to TasNetworks' view that the provision of public lighting services should not be a regulated service where prices are set by the AER.

The Local Government Association of Tasmania (LGAT) and councils have been working with TasNetworks to bring about reform and cost savings in the provision of public lighting. This has been a slow and drawn out process initially, however, in more recent times this has changed with TasNetworks now actively prepared to resolve issues.

For local government the benefits both financially and environmentally are substantial with a reduction of costs in the order of 30% to 50% or more. However if the AER's proposal is endorsed these savings will be lost for at least another seven years.

The second matter relates to an incentive scheme that the AER applies to TasNetworks, known as the Service Target Performance Incentive Scheme (STPIS). The attached correspondence outlines the purpose and operation of the STPIS and why TasNetworks is not supporting the AER's proposal.

While the overall impact on Council of the operation of the STPIS will be minimal, there will be a greater impact for families and small businesses.

### **3) Strategic/Annual Plan Conformance**

Not Applicable

#### 4) Policy Implications

Not Applicable

#### 5) Statutory Requirements

Not Applicable

#### 6) Risk Management

Not Applicable

#### 7) Consultation with State Government and other Authorities

Not Applicable

#### 8) Community Consultation

Not Applicable

#### 9) Financial Impact

There is no financial cost associated with writing a submission to the AER's Issues Paper.

If the AER's proposal to regulate public lighting is accepted, there will be a lost financial saving of between \$100,000 to \$150,000 per annum and potentially more.

#### 10) Alternative Options

Council can amend the submission or decide not to make a submission to the AER's Issue Paper.

#### 11) Officers Comments

The matters raised by the correspondence from TasNetworks are significant and could well have passed the scrutiny of local government if not raised by Mr Paine. Mr Paine was particularly aware of the changes regarding public lighting as it was discussed at length at a recent General Managers Workshop.

If public lighting is to become regulated it will deny local government an opportunity to make savings and reduce the impact on the environment.

The second issue regarding the operation of the STPIS has a broader impact on householders and small business.

**AUTHOR:** Greg Preece  
GENERAL MANAGER

## 12) Recommendation

*It is recommended that Council write a submission to the Australian Energy Regulator asking that:*

- (a) Public lighting remain unregulated in Tasmania;*
- (b) The Service Performance Target Incentive Scheme applying to TasNetworks supports their proposal to reduce the revenue at risk to TasNetworks to +2.5 per cent of its annual smoothed revenue.*

**DECISION:**

Index No. <b>S04 05 010</b>				
Doc No.				
Batch No.				
RCVD	30 APR 2015			MVC
Action Officer	<b>C.P.</b>	Dept	<b>G</b>	
EO	<input checked="" type="checkbox"/>	OD	BOX	



Tasmanian Networks Pty Ltd  
 ABN 24 167 337 295  
 PO Box 606  
 Moonah TAS 7009

28 April 2015

Mr Greg Preece  
 Meander Valley Council  
 PO Box 102  
 Westbury 7303

Dear Greg

**RE: Council submissions regarding the AER's framework and approach to the determination of TasNetworks' future revenues and prices**

As part of my presentation at the LGAT General Managers' Workshop on 11 March I touched on the many changes that are underway at TasNetworks. These changes are designed to help us to better deliver electricity network services with the express intention to create value for our customers, our owners and our community. Some of the changes relate to TasNetworks' internal systems and processes while others, like the improvements to the customer connections process I foreshadowed, are customer facing and some relate to the regulatory arrangements like street lighting.

TasNetworks is a regulated business and frequently faces regulatory constraints on its activities which can actually work against TasNetworks' ambitions to deliver services that our customers want.

The Australian Energy Regulator (AER) has released an *Issues Paper* which outlines its proposed approach to regulating the distribution services offered by TasNetworks and is seeking submissions in response to the paper. With that in mind, enclosed are drafts of two letters which we would encourage you to send to the AER, with a view to influencing the AER's thinking on two issues we believe will be of mutual benefit.

The first relates to TasNetworks' view that the provision of public lighting services should not be a regulated service, where prices are set by the AER.

Prior to 2012, when the Tasmanian Economic Regulator was responsible for the economic regulation of Tasmania's electricity networks, public lighting in Tasmania was treated as an unregulated service. However, when the AER took over the regulation of Tasmania's electricity network service providers, the provision of public lighting became regulated. This change was consistent with the AER's approach to public lighting in the other states of Australia.

Last year the AER contemplated applying lighter-handed regulation to public lighting services in Victoria, and most of the submissions received by the AER on its planned approach supported the AER's proposal. However, the Victorian equivalent businesses to TasNetworks argued against it and, ultimately, the AER retained the status quo.

The AER has proposed in its Issues Paper that it continue regulating Tasmania's public lighting services. This could potentially preserve the current arrangements, where TasNetworks is the only provider of public lighting mounted on TasNetworks' infrastructure, for a further seven years.

TasNetworks is advocating that public lighting once again become unregulated. In our view this paradigm will promote the adoption of new lighting technology, innovation and alternative service arrangements, including undertaking the provision, maintenance and operation of public lighting services.

To change the AER's view, there will have to be sufficient submissions in support of TasNetworks' position received by the AER from our public lighting customers. To this end, the support of Councils in Tasmania is considered to be vital.

The other letter relates to an incentive scheme that the AER applies to TasNetworks, and other network operators, known as the Service Target Performance Incentive Scheme (STPIS). The STPIS provides financial incentives to TasNetworks to maintain and improve the performance of its network, measured in terms of the frequency and duration of the outages experienced by customers. It does so by placing at risk up to 5 per cent of the revenue that TasNetworks is allowed to recover from the operation of its distribution network, should its performance fall below historical levels. Conversely, the scheme rewards TasNetworks for reliability improvements through an increase of up to 5 per cent in the revenue TasNetworks is able to collect from customers.

To a significant extent, reliability outcomes for customers connected to TasNetworks' distribution network are heavily influenced by factors that are outside of TasNetworks' control, most notably the weather. As such, there is not a clear link between the incentives the AER provides under the scheme and the reliability experienced by our customers. The rewards and penalties can have a discernible impact on the prices paid by customers, because they are factored into the revenue to be recovered by TasNetworks in subsequent years.

TasNetworks has proposed that the amount of revenue at risk under the STPIS be reduced to  $\pm 2.5$  per cent, in order to smooth out the impact that the scheme can have on the network prices paid by customers, while still retaining a meaningful incentive for TasNetworks not to let the reliability experienced by customers deteriorate.

The enclosed letters are intended to provide you with a guide to how you could raise these issues with the AER. If you require more information on either issue or need further explanation, please don't hesitate to contact John Sayers at TasNetworks on 6271 6469 or at [john.sayers@tasnetworks.com.au](mailto:john.sayers@tasnetworks.com.au).

Yours sincerely



Mike Paine

GM Customer Engagement and Network Operations



**Preliminary positions on replacement framework  
and approach (for consultation)  
for  
TasNetworks Distribution  
for the  
Regulatory control period commencing 1 July 2017**



**April 2015**

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Inquiries about this document should be addressed to:

Australian Energy Regulator

GPO Box 520

Melbourne Victorian 3001

Tel: (03) 9290 1444

Fax: (03) 9290 1457

Email: [AERInquiry@aer.gov.au](mailto:AERInquiry@aer.gov.au)

AER reference: 56853

## Decision to replace framework & approach

On 27 February 2015 we issued a notice under the Rules,<sup>1</sup> inviting submissions on whether it is necessary or desirable to amend or replace the current Framework & Approach (F&A) for Tasmania. Submissions closed on 18 March 2015 and we received six responses.<sup>2</sup>

We consider it necessary to replace the Tasmanian F&A due to the extent of the issues with the current F&A.<sup>3</sup> We consider issues which need to be reviewed are:

- the classification of public lighting services in light of submissions received from Hobart City Council, Glenorchy City Council, Trans Tasman Energy Group and a request from TasNetworks to review the current classification of these services
- the application of our service target performance incentive scheme in light of a request from TasNetworks to review the revenue at risk applied under the scheme
- the need to include formulae that give effect to the control mechanisms (that is, how price and/or revenues are to be determined during the regulatory control period)
- the need to outline the application of our revised efficiency benefit sharing scheme
- the likely inclusion of a capital expenditure sharing scheme (to incentivise network service providers to undertake efficient capital expenditure)
- the possible inclusion of a small-scale incentive scheme (pilot or test incentive schemes within an environment that limits the sum of money at risk and the length of time of the scheme)
- the application of the Expenditure Forecast Assessment Guidelines (a nationally consistent reporting framework which allows us to compare the relative efficiencies of network service providers, and decide upon efficient expenditure allowances)

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<sup>1</sup> NER, cl. 6.8.1(a)(2).

<sup>2</sup> Responses are available at [www.aer.gov.au/node/30748](http://www.aer.gov.au/node/30748).

<sup>3</sup> AER, *Framework and approach paper for Aurora Energy Pty Ltd, Regulatory control period commencing 1 July 2012*, 29 November 2010.

- whether depreciation for establishing the network service providers opening regulatory asset base for the 2022–2027 regulatory control period is to be based on actual or forecast depreciation.<sup>4</sup>

The remainder of this paper sets out—for discussion—our preliminary positions on a replacement F&A for these issues and for other matters to be addressed in the F&A.

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<sup>4</sup> NER, cl. 6.8.1(b)(2).

## Request for submissions

Interested parties are invited to make written submissions to the Australian Energy Regulator (AER) regarding this paper by the close of business, 15 May 2015.

Submissions should be sent electronically to: [TASelectricity2017@aer.gov.au](mailto:TASelectricity2017@aer.gov.au)

Alternatively, submissions can be mailed to:

Mr Chris Pattas  
General Manager, Networks  
Australian Energy Regulator  
GPO Box 520  
Melbourne VIC 3000

The AER prefers that all submissions be publicly available to facilitate an informed and transparent consultative process. Submissions will be treated as public documents unless otherwise requested. Parties wishing to submit confidential information are requested to:

- clearly identify the information that is the subject of the confidentiality claim
- provide a non-confidential version of the submission in a form suitable for publication.

All non-confidential submissions will be placed on the AER's website at [www.aer.gov.au](http://www.aer.gov.au). For further information regarding the AER's use and disclosure of information provided to it, see the *ACCC/AER Information Policy*, October 2008 available on the AER's website.

Enquiries about this paper, or about lodging submissions, should be directed to the Networks Branch of the AER on (03) 9290 1426.

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## About the framework and approach

The Australian Energy Regulator (AER) is the economic regulator for transmission and distribution services in Australia's national electricity market (NEM).<sup>5</sup> We are an independent statutory authority, funded by the Australian Government. Our powers and functions are set out in the National Electricity Law (NEL) and National Electricity Rules (the rules or NER).

The preliminary positions paper for the framework and approach (F&A) is the first step in a process to determine efficient prices for electricity distribution services. This paper sets out our preliminary positions on which services we will regulate and how we propose to apply the relevant incentive schemes. It also facilitates early public consultation and assists network service providers to prepare regulatory proposals.

TasNetworks Distribution (formerly Aurora Energy) is a licensed regulated operator of the Tasmanian monopoly electricity distribution network. The network comprises the poles, wires and transformers used for transporting electricity across urban and rural population centres to homes and businesses. TasNetworks Distribution (TasNetworks) designs, constructs, operates and maintains the distribution network for Tasmanian electricity consumers.

We regulate a variety of services provided by TasNetworks. Where there is considerable scope to take advantage of market power, our regulation is more prescriptive. Less prescriptive regulation is required where the prospect of competition exists. In some situations we may remove regulation altogether.

We have decided to replace the current Tasmanian F&A for the next regulatory control period. This decision arose following consultation with stakeholders.<sup>6</sup> Our main reason for this decision was because of significant changes to the rules, making elements of the current F&A no longer relevant. TasNetworks has sought a new or amended F&A. Submissions received also supported the amendment or replacement of the current F&A. The AER's Consumer Challenge Panel submitted that there has been sufficient change to the physical

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<sup>5</sup> In addition to regulating NEM transmission and distribution, we regulate the NEM wholesale market and administer the National Gas Rules.

<sup>6</sup> NER, clauses 6.8.1(c)(1)–(3).

and regulatory environments in which TasNetworks operates to warrant a review of the F&A.<sup>7</sup> Copies of all submissions are available at <http://www.aer.gov.au/node/30748>.

The current five year Tasmanian distribution regulatory control period concludes on 30 June 2017. This paper relates to the regulatory control period commencing 1 July 2017 and sets out our preliminary positions on:

- distribution service classification (which services are to be regulated)
- control mechanisms (how will prices be determined) and the formulae that give effect to the control mechanisms
- service target performance incentive scheme
- efficiency benefit sharing scheme
- capital expenditure sharing scheme
- demand management incentive scheme
- application of the expenditure forecast assessment guidelines
- whether depreciation will be based on forecast or actual capital expenditure
- jurisdictional and legacy issues.

We will use the F&A process to commence discussions with TasNetworks about the treatment of confidential information as set out in our confidentiality guideline.<sup>8</sup> We encourage TasNetworks to also consult consumers, as part of its consumer engagement, to gain a better understanding of the type of information consumers are interested in accessing.<sup>9</sup>

Following release of this paper, we will consult with interested parties before issuing our final F&A by 31 July 2015. Table 1 summarises the Tasmanian distribution determination process.

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<sup>7</sup> Consumer Challenge Panel - Sub Panel CCP4, Submission, 10 March 2015.

<sup>8</sup> AER, *Confidentiality guideline*, 19 November 2013.

<sup>9</sup> AER, *Consumer engagement guideline for network service providers*, 6 November 2013.

**Table 1: Tasmanian distribution determination process**

Step	Date
AER publishes preliminary positions F&A for TasNetworks	2 April 2015
AER to publish final F&A for TasNetworks	31 July 2015
TasNetworks submits regulatory proposal to AER	31 January 2016
Submissions on regulatory proposal close	May 2016
AER to publish draft decision	30 September 2016
TasNetworks to submit revised regulatory proposal to AER	December 2016
Submissions on revised regulatory proposal and draft decision close	January 2017*
AER to publish distribution determination for regulatory control period	30 April 2017

\* The date provided is based on the AER receiving a compliant proposal. The date may alter if we receive a non-compliant proposal.

Source: NER, chapters 6, 11, Part E.

## Overview

The F&A provides an opportunity for interested parties, including consumers, to have a say in which services we should regulate and how much control we have over determining the prices for network services. The F&A also sets out information around incentive schemes that will apply to TasNetworks to encourage efficient investment and performance. This overview sets out our preliminary positions on:

- classification of distribution services (which services we will regulate)
- control mechanisms (how we will determine prices for regulated services) and the formulae that give effect to the control mechanisms
- the application of a range of incentives schemes that encourage desired behaviours such as improvements in service quality or efficient capital and operating expenditure
- the application of a range of expenditure forecasting expenditure tools used to test TasNetworks' regulatory proposal
- how we will calculate depreciation of TasNetworks' regulatory asset base going forward.

### Classification of distribution services

Classification is important to electricity customers because it determines the need for and scope of regulation applied to distribution services central to electricity supply. Distribution services include, for example, the provision and maintenance of poles and wires and connection or disconnection to electricity. When we classify distribution services we determine the nature of the economic regulation we will apply to those services.

The rules establish a limited range of service classifications, to which varying levels of economic regulation apply. When we classify services we therefore determine whether we directly control prices and in what form, become involved only to arbitrate disputes, or do not regulate at all. The classification that we apply to a distribution service also determines whether TasNetworks recovers service costs by averaging them across all customers or only charging those customers benefiting directly from specific services.

Our preliminary view is that the classification of TasNetworks' distribution services will not change for the 2017–22 regulatory control period. The majority of services provided by TasNetworks relate to building and maintaining the network and these will remain standard control services. Similarly, we propose public lighting (excluding new public lighting technology services), metering and ancillary network (fee based and quoted) services remain as alternative control services.

Our Tasmanian distribution service classifications represent our preliminary position for the next regulatory control period. Table 2 provides an overview of the different classes of distribution services for the purposes of economic regulation under the rules.

**Table 2: Classifications of distribution services**

Classification		Description	Regulatory treatment
Direct control service	Standard control service	<p>Services that are central to electricity supply and therefore relied on by most (if not all) customers such as building and maintaining the shared distribution network.</p> <p>Most distribution services are classified as standard control.</p>	<p>We regulate these services by determining prices or an overall cap on the amount of revenue that may be earned for all standard control services.</p> <p>The costs associated with these services are shared by all customers via their regular electricity bill.</p>
	Alternative control service	<p>Customer specific or customer requested services.</p> <p>These services may also have potential for provision on a competitive basis rather than by the local distributor.</p>	<p>We set service specific prices to enable the distributor to recover the full cost of each service from customers using that service.</p>
Negotiated service		<p>Services we consider require a less prescriptive regulatory approach because all relevant parties have sufficient countervailing market power to negotiate the provision of those services.</p>	<p>Distributors and customers are able to negotiate prices according to a framework established by the rules. We are available to arbitrate if necessary.</p>
Unclassified service		<p>Services that are not distribution services<sup>10</sup> or services that are contestable.</p>	<p>We have no role in regulating these services.</p>

Source: AER

<sup>10</sup> A distribution service is a service provided by means of, or in connection with, a distribution system.

### *Direct control services*

The rules contain factors we must consider when determining appropriate levels of economic regulation for the range of electricity distribution services. Following consideration of those factors, we may determine that a prescriptive approach is required. We will classify such services as direct control services. That is, we will directly set prices distributors will charge customers, or set revenues distributors may recover from customers.<sup>11</sup>

Most distribution services fall within the network services group, which includes poles, wires, and other core infrastructure of a distribution business.<sup>12</sup> These are central to a distributor's business and the broad customer base uses them. Network services are central to a distributor's monopoly power and are frequently subject to licence restrictions. Therefore, our preliminary position is to classify network services as direct control services. Other distribution services are also subject to limited, or no, competition. We therefore also propose to classify as direct control: metering, connections, public lighting and ancillary network services. We must further determine whether we will classify a direct control service as a standard control or alternative control service.

### *Standard control services*

We classify as standard control services those distribution services that are central to electricity supply and therefore relied on by most (if not all) customers. We classify most distribution services as standard control, reflecting the integrated nature of an electricity distribution system. We typically regulate these services by determining prices or an overall cap on the amount of revenue that distributors may earn for all standard control services. These standard control services form the core distribution component of an electricity bill.

Our preliminary position is that standard control services include network services and connection services. These services encompass construction, maintenance and repair of the network, customer connection and augmenting the network to facilitate connecting new customers.

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<sup>11</sup> We regulate distributors by determining either the prices they may charge (price cap regulation) or by determining the revenues they may recover from customers (revenue cap regulation).

<sup>12</sup> Appendix B sets out TasNetworks' distribution services in more detail.

### *Alternative control services*

Alternative control services are customer specific or customer requested services. These services may also have potential for provision on a competitive basis rather than by a single distributor. Alternatively, certain customers may request these services. For these services, we set service specific prices to enable the distributor to recover the full cost of each service from customers using that service. We will determine prices for individual alternative control services in a variety of ways, suitable to specific circumstances. For example, only a few customers purchase ancillary network services (like a request to relocate a power pole). It would be inefficient for all customers to fund provision of these services.

We propose to retain the current alternative control classification for type 5-7 metering services and ancillary (quoted and fee based) network services.

We also propose to retain the current alternative control classification for public lighting, because a defined group of customers purchase these services, for example, local councils. We would be interested in feedback on whether we should classify public lighting differently.

### *Negotiated distribution services*

Negotiated distribution services are those services we consider require a less prescriptive regulatory approach because relevant parties have sufficient countervailing market power to negotiate the provision of those services. Distributors and customers are able to negotiate services and prices according to a framework established by the rules. We are available to arbitrate if necessary.

Our preliminary position is to continue to classify services to install new public lighting technologies as negotiated distribution services. We are interested in stakeholder feedback on whether we could classify all public lighting services as negotiated services.

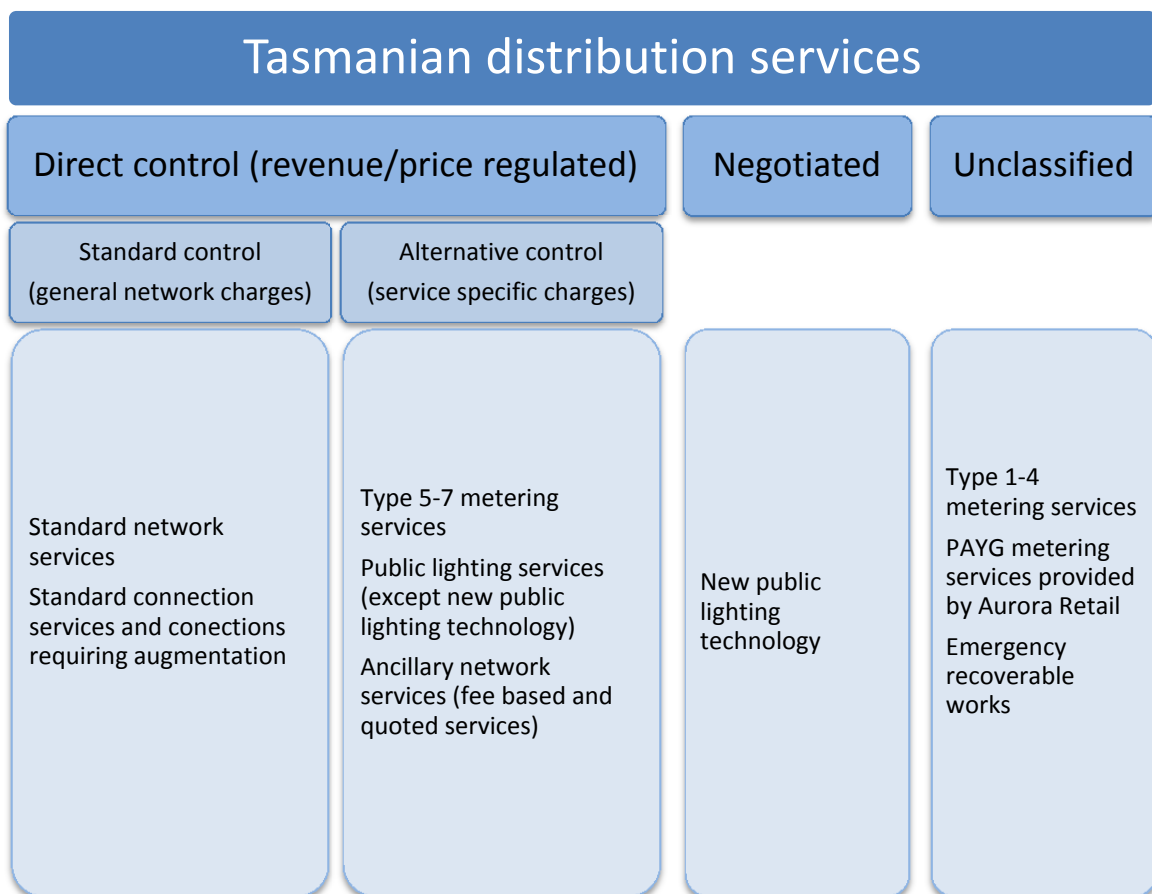
### *Unclassified (unregulated)*

In the case of some distribution services, we may determine there is sufficient competition for no regulation at all. We will not classify such services. We refer to these as unclassified or unregulated distribution services.

Our preliminary position is to not classify emergency recoverable works.<sup>13</sup> This will create the right incentives for distributors to recover the cost of emergency recoverable works from third parties that caused damage to the network. Pay as you go (PAYG) metering services provided by Aurora Retail are distinct from the metering services provided by TasNetworks Distribution. PAYG metering services provided by Aurora Retail are also unclassified and not regulated by the AER.<sup>14</sup>

We use the above service classifications throughout this preliminary position F&A. Figure 1 sets out our preliminary positions for classification of Tasmanian distribution services.

**Figure 1: AER proposed approach to classification of Tasmanian distribution services**



Source: AER

<sup>13</sup> Emergency recoverable works are services related to repairing the distribution network after damage to restore or maintain electricity supply.

<sup>14</sup> The Consumer Challenge Panel's (CCP4) submission requested clarification of the classification of PAYG metering services. Consumer Challenge Panel - Sub Panel CCP4, Submission, 10 March 2015.



## Control mechanisms

Following on from service classifications, our determinations must impose controls on direct control service prices and/or their revenues.<sup>15</sup> We may only accept or approve control mechanisms in a distributor's regulatory proposal if they are consistent with our final F&A.<sup>16</sup>

The rules require us to decide the control mechanism forms<sup>17</sup> and the formulae to give effect to the control mechanism, but not the basis of the form of control mechanism. In deciding control mechanism forms, we must select one or more from those listed in the rules.<sup>18</sup> These include price schedules, caps on the prices of individual services, weighted average price caps, revenue caps, average revenue caps and hybrid control mechanisms.

In deciding on the form of control mechanism, the rules require us to have regard to specified factors.<sup>19</sup> These include the need for efficient tariffs, administrative costs, previous regulatory arrangements and consistency. In light of the above alternatives and considerations, our preliminary position on the form of control mechanisms for TasNetworks are:

- standard control services— revenue cap

We consider that a revenue cap best meets the factors set out under clause 6.2.5(c) of the rules. We consider that a revenue cap will result in benefits to consumers through a higher likelihood of revenue recovery at efficient cost, better incentives for demand side management, less reliance on energy forecasts and further alignment with the development of efficient prices. Furthermore, we consider that the detriments of a revenue cap – within period pricing instability and weak pricing incentives are able to be mitigated.

- alternative control services— caps on the prices of individual services. We consider this approach will provide cost reflective price benefits.

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<sup>15</sup> NER, clause 6.2.5(a).

<sup>16</sup> NER, clause 6.12.3(c).

<sup>17</sup> NER, clause 6.2.5(b).

<sup>18</sup> NER, clause 6.2.5(b).

<sup>19</sup> NER, clauses 6.2.5(c) and 6.2.5 (d).

For standard control services, the rules mandate the basis of the control mechanism must be the prospective CPI-X form, or some incentive-based variant.<sup>20</sup> For alternative control services, we will confirm a control mechanism basis through the distribution determination process.

## Incentive schemes

The purpose of incentive schemes is to encourage distributors to manage their businesses in a safe, reliable manner that serves the long term interests of consumers. The schemes provide distributors with incentives to only incur efficient costs and to meet or exceed service quality targets. In some instances, distributors may incur a financial penalty if they fail to meet set targets. These schemes include the service target performance incentive scheme, efficiency benefit sharing scheme, capital expenditure sharing scheme and demand management incentive scheme. The overall objectives of the schemes are to:<sup>21</sup>

- encourage appropriate levels of service quality
- maintain network reliability as appropriate
- incentivise distributors to consider economically efficient alternatives to building more network
- incentivise distributors to spend more efficiently on capital and operating expenditure (opex)
- reduce the risk of consumers paying for unnecessary capital expenditure (capex)
- share efficient improvements and losses between distributors and consumers.

We outline below our preliminary position on the application of each scheme to TasNetworks.

### *Service target performance incentive scheme*

Our national service target performance incentive scheme (STPIS) provides a financial incentive to distributors to maintain and improve service performance. The STPIS aims to safeguard service quality for customers against incentives for the distributors to seek out cost efficiencies.

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<sup>20</sup> NER, clause 6.2.6(a). The basis of the form of control is the method by which target revenues or prices are calculated e.g. a building block approach.

<sup>21</sup> AER, *Electricity distribution network service providers, Service target performance incentive scheme*, June 2008, p. 2; AER, *Expenditure incentives guideline*, 29 November 2013.

Our preliminary position is to continue to apply the national STPIS to TasNetworks in the next regulatory control period. We will not apply the guaranteed service level (GSL) component as TasNetworks is subject to a jurisdictional GSL scheme.<sup>22</sup> Should the Tasmanian Government remove this obligation before the next regulatory control period commences, we will apply the GSL component of the STPIS.

### *Efficiency benefit sharing scheme*

The efficiency benefit sharing scheme (EBSS) aims to provide a continuous incentive for distributors to pursue efficiency improvements in opex, and provide for a fair sharing of these between distributors and network users. Consumers benefit from improved efficiencies through lower regulated prices.

As part of our Better Regulation program we consulted on and published version 2 of the EBSS. Our preliminary position is to apply version 2 of the EBSS to TasNetworks in the next regulatory control period.

### *Capital expenditure sharing scheme*

The capital expenditure sharing scheme (CESS) provides financial rewards for distributors whose capex becomes more efficient and financial penalties for those that become less efficient. Consumers benefit from improved efficiency through lower regulated prices.

As part of our Better Regulation program we consulted on and published version 1 of the capital expenditure incentive guideline for electricity network service providers (capex incentive guideline) which sets out the CESS. Our preliminary position is to apply the CESS to TasNetworks for the next regulatory control period.

### *Demand management incentive scheme*

Distributors have historically planned their network investment to provide sufficient capacity to provide for peak usage periods. As peak demand periods are typically brief and infrequent, network infrastructure often operates with significant redundant capacity. This underutilisation means that further investment in network capacity may not always be the most efficient means of catering for increasing peak demand. Demand management by distributors to lower or shift the demand for standard control services is incentivised through our demand management incentive scheme (DMIS).

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<sup>22</sup> OTTER, *Guideline - Guaranteed Service Level Scheme*, December 2007..

Our preliminary position is to continue to apply the DMIS to TasNetworks for the next regulatory control period. The DMIS adds an innovation allowance to TasNetworks' revenue each year of the regulatory control period. In calculating the allowance, we must have regard to a range of factors around benefits to consumers and how the DMIS balances against other incentive schemes.

The AEMC is currently consulting on rule change requests from the Total Environment Centre (TEC) and the Council of Australian Governments' Energy Council (COAG Energy Council) regarding reform of the DMIS under Chapter 6 of the NER.<sup>23</sup> The requests are in response to recommendations made by the AEMC in its Power of Choice review.<sup>24</sup> We intend to develop and implement a new DMIS during the next regulatory control period, depending on the progress of the rule change process.

### *Small-scale incentive scheme*

The rules state that we may develop a small-scale incentive scheme.<sup>25</sup> We have not developed this scheme. Therefore, we will not be stating our preliminary position on the application of this scheme to TasNetworks.

### **Application of the expenditure forecast assessment guideline**

In 2014 we published our expenditure forecast assessment guideline (expenditure assessment guideline). The expenditure assessment guideline is based on a nationally consistent reporting framework allowing us to compare the relative efficiencies of distributors and decide on efficient expenditure allowances. Our preliminary position is to apply the guideline, including the information requirements to TasNetworks in the next regulatory control period.

The expenditure assessment guideline outlines a suite of assessment/analytical tools and techniques to assist our review of TasNetworks' regulatory proposal. We intend to apply the assessment/analytical tools set out in the guideline and any other appropriate tools for assessing expenditure forecasts.

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<sup>23</sup> AEMC, *Consultation paper, National Electricity Amendment (Demand Management Incentive Scheme) Rule 2015*, 19 February 2015.

<sup>24</sup> AEMC, *Final report, Power of choice review – giving consumers' choice in the way they use electricity*, 30 November 2012.

<sup>25</sup> NER, clause 6.6.4.

## Depreciation

Changes to the rules require us to state our approach to calculating depreciation when we roll forward TasNetworks' regulatory asset base (RAB) for the 2022–2027 regulatory control period. Our preliminary position is to use forecast depreciation to establish the RAB as at 1 July 2022.

The depreciation we use to roll forward the RAB can be based on actual capex incurred during the regulatory control period. Alternatively, we may use the capex allowance forecast as at the start of the regulatory control period.

Our preliminary position to use forecast depreciation, in combination with our proposed application of the CESS will maintain incentives for distributors to pursue capex efficiencies. These improved efficiencies benefit consumers through lower regulated prices.

## Jurisdictional and legacy issues

### *Dual function assets*

Dual-function assets are high voltage transmission assets forming part of the distribution network. Transmission network service providers usually operate these assets. Considering transmission assets as part of a distribution determination avoids the need for a separate transmission proposal. Where a network service provider owns, controls or operates dual-function assets, we are required to consider whether we should price these assets according to the transmission or distribution pricing principles.

TasNetworks does not currently own, control or operate any dual-function assets, nor did it own, control or operate any dual function assets at the time of the last determination. Therefore, our preliminary position is that we are not required to, and will not; make any determination under the rules regarding dual-function assets.<sup>26</sup>

### *Regulatory control period*

TasNetworks is proposing to align the regulatory control periods of its distribution and transmission businesses through implementation of a two year regulatory control period for its distribution business

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<sup>26</sup> NER, clauses 6.8.1(b)(1)(ii) and 6.25(b).

instead of the five year period currently required by the rules.<sup>27</sup> TasNetworks has proposed a rule change to allow a two year regulatory control period commencing on 1 July 2017 and ending on 30 June 2019 for its distribution business.

The AEMC is assessing this rule change request as a non-controversial rule under its expedited rule making process and, subject to any submissions objecting to an expedited process, will publish a final rule determination by 9 April 2015.

The AER has not objected to TasNetworks' rule change request. Subject to the outcome of this request we will give consideration to the impact of a shorter regulatory control period for incentives for efficient expenditure, the operation of incentive schemes, the next F&A process and any other relevant matters.

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<sup>27</sup> NER, clause 6.3.2(b).

# 1 Classification of distribution services

This attachment sets out our preliminary position on the classification of distribution services provided by TasNetworks in the next regulatory control period. Service classification determines the nature of economic regulation, if any, applicable to specific distribution services. Classification therefore determines whether we:

- directly control prices<sup>28</sup>
- allow parties to negotiate services and prices and only arbitrate disputes if necessary, or
- do not regulate at all.

If we control prices directly, classification further determines whether distributors recover service costs from all customers or only those benefiting directly from specific services.<sup>29</sup>

Classification is important to customers as it determines which network services are included in basic electricity charges, which are sold as additional services, and which we will not regulate. Our decisions reflect our assessment of a number of factors, including competition, or the potential for competition, for service supply. When necessary, we classify services with a more prescriptive form of regulation. If possible, we classify services with less prescriptive forms of regulation or do not regulate at all. If specific customers use a service we may consider classifying it to establish a user pays approach to pricing.

The preliminary positions set out in this attachment are not binding on us or TasNetworks. That is, we will consider alternative proposals submitted in response to this preliminary F&A by TasNetworks or other interested parties. Taking into account submissions received, we will publish our final classification decisions

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<sup>28</sup> Control mechanisms available for each service depend on their classification. Control mechanisms available for direct control services are listed by clause 6.2.5(b) of the rules. These include caps on revenue, average revenue, prices and weighted average prices. A fixed price schedule or a combination of the listed forms of control are also available. Negotiated services are regulated under part D of chapter 6 of the rules.

<sup>29</sup> Standard control service costs are generally recovered through distribution use of service tariffs paid by all, or most, customers. Alternative control or negotiated service costs are generally recovered from individual customers receiving them.

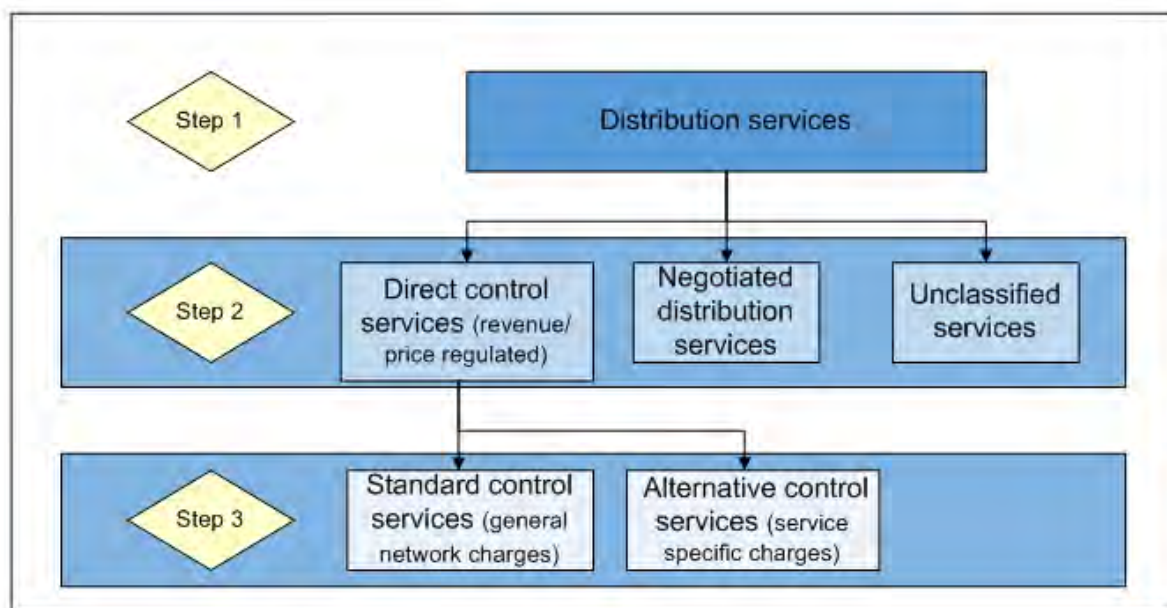
in a final F&A. Once we have published our F&A paper, we may only change our classification decisions in response to unforeseen circumstances.<sup>30</sup>

The rules set out a three step classification process we must follow. We must consider a number of specified factors at each step. Figure 2 outlines the classification process under the rules.

As illustrated by figure 2:

- We must first satisfy ourselves that a service is a 'distribution service' (step 1). The rules define a distribution service, as a service provided by means of, or in connection with, a distribution system.<sup>31</sup> A distribution system is a 'distribution network, together with the connection assets associated with the distribution network, which is connected to another transmission or distribution system'.<sup>32</sup>

**Figure 2: Distribution service classification process**



Source: NER, chapter 6, part B.

- We then consider whether economic regulation of the service is necessary (step 2). When we do not think economic regulation is warranted we will not classify the service. If economic regulation is

<sup>30</sup> NER, clause 6.12.3(b).

<sup>31</sup> NER, chapter 10, glossary.

<sup>32</sup> NER, chapter 10, glossary.



necessary, we consider whether to classify the service as either a direct control or negotiated distribution service.

- When we think we should classify a service as direct control, we further classify it as either a standard control or alternative control service (step 3).

Our classification decisions determine how distributors will recover the cost of providing services. Distributors recover standard control service costs by averaging them across all customers using the shared network. In contrast, distributors will charge a specific user benefiting from an alternative control service. Alternative control classification is akin to a 'user-pays' system. The whole cost of the service is paid by those customers who benefit from the service.

For services we classify as negotiated, distributors and customers will negotiate service provision and price under a framework established by the rules. Our role is to arbitrate disputes where distributors and prospective customers cannot agree. Two instruments support the negotiation process:

- Negotiating distribution service criteria—sets out the criteria distributors are to apply in negotiating the price, and terms and conditions, under which they supply distribution services. We will also apply the negotiating distribution service criteria in resolving disputes.
- Negotiating framework—sets out the procedures a distributor and any person wishing to use a negotiated distribution service must follow in negotiating for provision of the service.

For services we do not classify, we will have no role at all.

## 1.1 AER's preliminary position

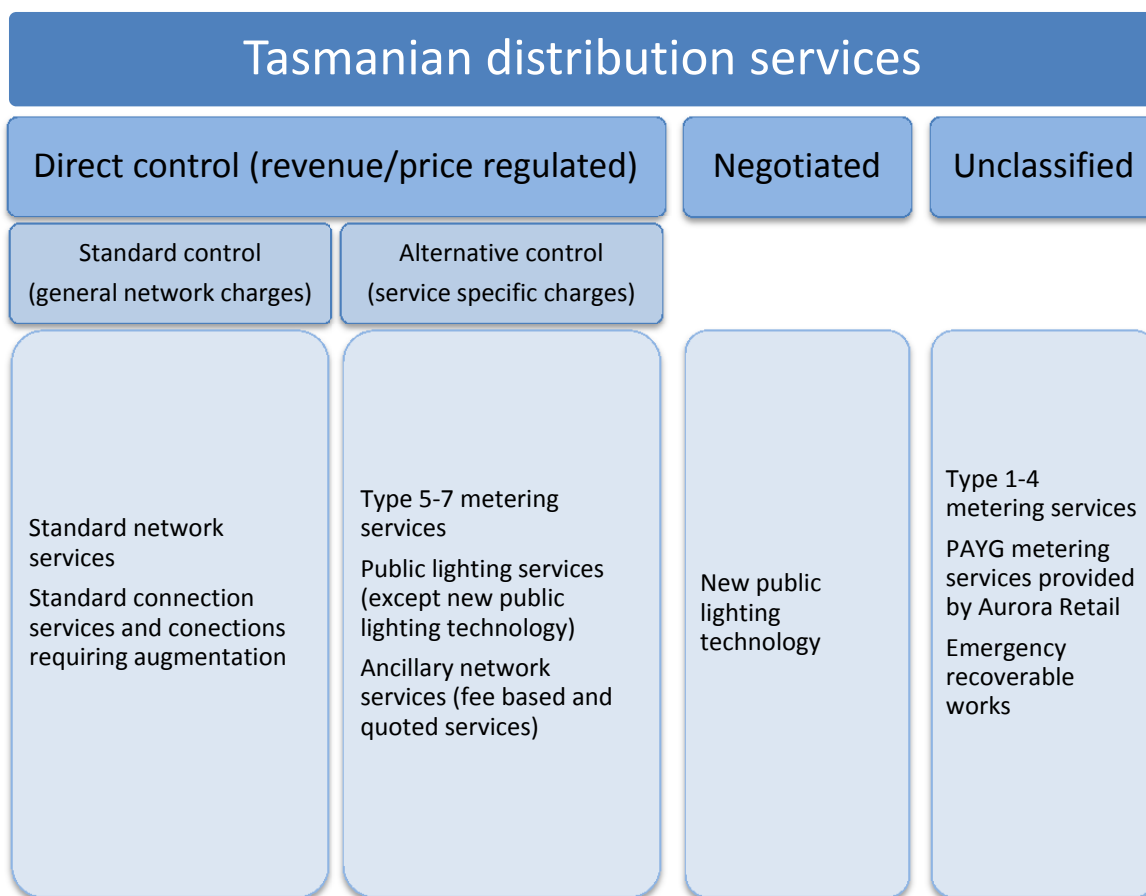
Before considering how to classify services, we consider how to group them. This allows a more straightforward approach to classification, as our classification decisions for a group of services relates to each service within the group. Our preliminary position is to group distribution services provided by TasNetworks as:

- network services
- metering services

- public lighting services
- connection services
- ancillary network services (fee based and quoted services).

We consider each service falling within the above service groups is a distribution service.<sup>33</sup> They are services provided by means of, or in connection with, a distribution service.<sup>34</sup> Figure 3 summarises our preliminary classification of TasNetworks' distribution services. The following section summarises our preliminary positions on the classification of each service group.

**Figure 3: AER proposed approach to classification of Tasmanian distribution services**



Source: AER

<sup>33</sup> See Appendix B for a list of each distribution service falling within the groups set out above.

<sup>34</sup> NER, chapter 10, 'distribution system'.

### 1.1.1 Network services

Most distribution services supplied by TasNetworks fall within the network services group. Network services are at the core of what an electricity distributor does, and include constructing and maintaining those parts of the electricity network that everyone uses—that is, the shared distribution network. The relatively high fixed costs of providing network services mean that it would be inefficient to have more than one network in the same geographic location. Competition in the provision of network services would not be in the interests of customers because electricity prices would have to be higher, reflecting the higher costs of having to build and maintain more than one distribution network. As competition is absent, we apply the most prescriptive form of regulation to network services—direct control.

TasNetworks' customers use network services through a shared network, provided under monopolistic conditions. Therefore, we classify network services as standard control services so that TasNetworks can recover the cost of providing network services from across its broad customer base. The lack of competition in the provision of network services gives further weight to classifying network services as standard control services.

### 1.1.2 Metering services

TasNetworks is the monopoly supplier of type 5, 6 and 7 metering services in Tasmania and we currently classify these as alternative control services. The classification reflects the limited prospect of competition in the supply of type 5-7 metering services to date and that their cost can be directly attributed to individual customers. In contrast the supply type 1-4 metering services are contestable and we do not currently regulate these services—they are unclassified. We propose to retain the current approach to classification of type 5-7 and type 1-4 metering services.<sup>35</sup>

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<sup>35</sup> Pay as you go (PAYG) metering services provided by Aurora Retail are distinct from the metering services provided by TasNetworks Distribution. PAYG metering services provided by Aurora Retail are unclassified and not regulated by the AER.

Proposed rule changes currently under consideration by the AEMC would facilitate the competitive provision of metering and related services in the future.<sup>36</sup> The AEMC's consultation on the proposed rule changes is currently underway and a final determination is expected in mid-2015.

The AER may revise its position on classification of metering services in Tasmania if this is necessary to achieve a position consistent with the approach to metering regulation in forthcoming determinations for distributors in NSW, Queensland and South Australia and the rule changes ultimately adopted. This is discussed in more detail below.

### **1.1.3 Public lighting services**

Public lighting repair, maintenance, like-for-like replacement and the provision of new public lighting assets are currently alternative control services in Tasmania. Installation of new public lighting technologies is currently a negotiated service. These classifications reflect that public lighting services have generally been provided as monopoly services by TasNetworks to specific customers—usually local government councils—while the emergence of new lighting technologies and providers is increasing the potential for alternative supply arrangements.

While our preliminary position is to retain the current classifications, we are seeking views on whether there is a basis for reclassifying these services. TasNetworks has requested that a change to the classification of public lighting services be considered. We also received submissions supporting this view. This is discussed in more detail below.

### **1.1.4 Connection services**

Connection services involve connecting new customers to the shared network. In Tasmania, these services can only be supplied by TasNetworks and we currently classify standard connection services and connections requiring augmentation as standard control services. The cost of connection services is therefore spread across all customers using the shared network excluding the cost of any up-front capital contributions made by customers requesting connection services.

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<sup>36</sup> See <http://www.aemc.gov.au/Rule-Changes/Expanding-competition-in-metering-and-related-serv>.

Our preliminary position is to retain the current standard control services classification for connection services.

### **1.1.5 Fee based services (ancillary network services)**

Fee based services are provided on request for the benefit of a single customer. These services tend to be homogeneous in nature and scope, and can be costed in advance of supply with reasonable certainty. TasNetworks is the sole provider of a range of fee based services relating to its distribution network (e.g. energisation, de-energisation, re-energisation, meter testing, meter alteration) which are supplied under scheduled prices. Our preliminary position is to retain the current alternative control service classification for fee based services.

For classification purposes, we propose to replace the current service groups called 'fee-based services' with a service group called 'ancillary network services'.

### **1.1.6 Quoted services (ancillary network services)**

Quoted services are non-standard services provided on request for the benefit of a single customer. These services tend to be dissimilar in nature and scope, and cannot be costed in advance of supply with reasonable certainty. TasNetworks is the sole provider of a range of quoted services relating to its distribution network (e.g. moving mains, services or meters, temporary supply, alteration and relocation of existing public lighting assets) which are supplied under scheduled labour charge-out rates with allowance for materials and other costs.

For classification purposes, we propose to replace the current service groups called 'quoted services' with a service group called 'ancillary network services'.

## **1.2 AER's assessment approach**

The rules allow us to group distribution services when classifying them. This means we may classify a class of services rather than specific services. This provides distributors with flexibility to alter the exact specification (but not the nature) of a service during a regulatory control period. Where we make a single classification for a group of services, it applies to each service in the group.

When deciding whether to classify services as either direct control or negotiated services, or to not classify them, the rules require us to have regard to the 'form of regulation factors' set out in the NEL.<sup>37</sup> We have reproduced these at appendix A. They include the presence or extent of barriers to entry by alternative providers and whether distributors possess market power in provision of the services. The rules also require us to consider the previous form of regulation applied to services and the desirability of consistency with the previous approach.<sup>38</sup>

For services we intend to classify as direct control services, the rules require us to have regard to a further range of factors.<sup>39</sup> These include the potential to develop competition in provision of a service and how our classification may influence that potential. Also, whether the costs of providing the service are attributable to a specific person. And, the possible effect of the classification on administrative costs.

The rules also specify that for a service regulated previously, unless a different classification is clearly more appropriate, we must:<sup>40</sup>

- not depart from a previous classification (if the services have been previously classified), and
- if there has been no previous classification—the classification should be consistent with the previously applicable regulatory approach.<sup>41</sup>

### 1.3 Reasons for AER's preliminary position

This section sets out our preliminary position and reasons for the classifications we propose for:

- network services
- metering services
- public lighting services

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<sup>37</sup> NER, clause 6.2.1(c); NEL, s. 2F.

<sup>38</sup> NER, clause 6.2.1(c).

<sup>39</sup> NER, clause 6.2.2(c).

<sup>40</sup> NER, clause 6.2.2(d).

<sup>41</sup> NER, clauses 6.2.1(d) and 6.2.2(d).

- connection services
- ancillary network services (fee based and quoted services).

### 1.3.1 Network services

Distributors provide network services over a shared distribution network to all customers connected to it. Network services are associated with safe and reliable electricity supply.<sup>42</sup> Customers use or rely on network services on a daily basis. Examples include the construction and maintenance of the shared network.

Our preliminary position is to classify network services as direct control services and further, as standard control services. We also propose not to classify emergency recoverable works, even though they are similar to network services.

TasNetworks holds an electricity distribution licence which is the only distribution license that is currently in place for mainland Tasmania. The AER notes that under section 17 of the *Electricity Supply Industry Act 1995* (ESI Act), a person is prevented from distributing and supplying electricity unless they hold a licence authorising them to do so. These arrangements provide a regulatory barrier, preventing third parties from providing network services.<sup>43</sup> Therefore, we consider that there is no market for network services for third parties to compete in.

TasNetworks possesses significant market power due to the regulatory arrangements in place.<sup>44</sup> As such, we intend to classify network services as direct control services.

We must further classify direct control services as either standard or alternative control services.<sup>45</sup> Our preliminary position is to retain the current standard control classification for network services. There is little, if any, potential to develop competition in the market for network services.<sup>46</sup> There would be no material effect on administrative costs for us, TasNetworks, users or potential users.<sup>47</sup> This is because classifying

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<sup>42</sup> NER, chapter 10, definition of 'network service'.

<sup>43</sup> This is relevant under the form of regulation factors; see NEL, s. 2F(a).

<sup>44</sup> This is a relevant form of regulation factor: NEL, s. 2F(d).

<sup>45</sup> NER, clause 6.2.2(c).

<sup>46</sup> NER, clause 6.2.2(c)(1).

<sup>47</sup> NER, clause 6.2.2(c)(2).

network services as standard control services is consistent with the current regulatory approach. We currently classify network services in Tasmania and all other NEM jurisdictions as standard control services.<sup>48</sup> Further, distributors provide network services through a shared network and therefore cannot directly attribute the costs of these services to individual customers.<sup>49</sup>

## Emergency recoverable works

Emergency works relate to repairing the distribution network after damage to restore or maintain electricity supply. For example, damage caused by a storm. Emergency *recoverable* works relate to the distributor's emergency work to repair damage following a person's act or omission, for which that person is liable. For example, repairs to a power pole following a motor vehicle accident. We currently classify TasNetworks' distribution emergency recoverable works as standard control services.<sup>50</sup>

Distributors carry out emergency recoverable works as part of the normal maintenance and repair to the network to ensure the safe and reliable supply of electricity. Only a distributor may perform these types of repairs on its assets and this creates a monopoly.

Given that these services are provided in connection with a distribution system, we consider emergency recoverable works are a distribution service. However, in terms of classification, we consider that emergency recoverable works are distinguishable from other network services. This is because the cost of these works may be recovered under common law. That is, the distributor can seek payment of their costs to fix the network from the parties responsible for causing the damage, through the courts if necessary.

For this reason, we intend not to classify emergency recoverable works.<sup>51</sup> By not classifying emergency recoverable works, TasNetworks is not able to recover costs for these services from consumers as a whole. Rather, to be compensated for damage to the network caused by an identifiable party, TasNetworks must seek to recover costs from that party. We consider this will establish the right incentives for TasNetworks to pursue costs from parties responsible for damage to distribution network assets. Our preliminary approach

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<sup>48</sup> NER, clause 6.2.2(c)(3).

<sup>49</sup> NER, clause 6.2.2(c)(5).

<sup>50</sup> Emergency recoverable works are a component of TasNetworks' 'emergency response' services.

<sup>51</sup> NER, clause 6.2.1(c)(4).



to this issue is consistent with our approach to the classification of emergency recoverable works in NSW, Queensland<sup>52</sup> and Victoria.<sup>53</sup>

### 1.3.2 Metering services

All electricity customers have a meter that measures the amount of electricity they use.<sup>54</sup> However, not all customers have the same type of meter. There are different types of meters, measuring electricity usage in different ways. The metering installation types are defined in schedule 7.2 of the NER.

Large customers use type 1 to 4 meters which provide a range of additional functions compared to other meters. In particular, these meter types have a remote communication ability. Type 1 to 4 meters are competitively available and we do not currently regulate them in Tasmania or in most other jurisdictions—they are unclassified.

Type 5 metering is defined in the NER as a manually read interval meter whilst type 6 is a manually read accumulation meter. TasNetworks is the monopoly providers of type 5 (interval) and 6 (accumulation) meters.<sup>55</sup> Type 6 meters record total electricity usage over a period of time. Type 5 meters can record electricity usage and time of use.<sup>56</sup> Households and other small customers traditionally use these meter types. These meters are manually read.

Type 7 metering services are unmetered connections with a predictable energy consumption pattern (for example, public lighting connections).<sup>57</sup> Such connections do not include a meter that measures electricity use. Rather, electricity use by these connections is estimated. Charges associated with type 7 metering services relate to the process of estimating electricity use. For example, the distributor estimates public light usage using the total time the lights were on, the number of lights in operation, and the light bulb wattage. TasNetworks is the monopoly provider of type 7 metering services in Tasmania.

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<sup>52</sup> NER, clause 6.2.1(c)(4). Also, AER, *Stage 1 Framework and approach paper – Ausgrid, Endeavour Energy and Essential Energy*, March 2013, p. 20.

<sup>53</sup> AER, *Final Framework and approach for the Victorian Electricity Distributors, Regulatory control period commencing 1 January 2016*, October 2014.

<sup>54</sup> All connections to the network must have a metering installation (NER, clause 7.3.1A(a)).

<sup>55</sup> TasNetworks is the 'responsible person' for type 5, 6, and 7 metering installations (NER, clause 7.2.3(a)(2)).

<sup>56</sup> Interval meters record electricity usage every 30 minutes.

<sup>57</sup> NER, clause 7.2.3(a)(2).

Special meter readings and meter testing of type 5, 6 and 7 meters cover a range of other metering related services which TasNetworks supplies as a monopoly to specific customers.

As discussed below we propose to retain the current approach to classification of type 5-7 and type 1-4 metering services.

### **Type 5 to 7 metering services**

TasNetworks is the monopoly provider of existing type 5, 6 and 7 metering services and consequently we intend to classify these services as direct control.<sup>58</sup> We think contestability in special meter readings and meter testing services for type 5, 6 and 7 meters is also limited by the monopoly nature of TasNetworks' type 5-7 metering services, for which meter reading and testing services are undertaken.<sup>59</sup> For this reason, we propose to also classify special meter readings and meter testing services for type 5, 6 and 7 meters as direct control services.

These services are currently classified as alternative control which reflects that there has been limited prospect of competition in the supply of type 5-7 metering, special meter readings and meter testing services, and that their cost can be directly attributed to individual customers. Our preliminary position is that a different classification of these metering services is not clearly more appropriate<sup>60</sup> and we propose to maintain the current alternative control classification.

### **Type 1 to 4 metering services**

Type 1 to 4 metering services are contestable in Tasmania and competitively available.<sup>61</sup> For this reason, our preliminary position is not to classify these services. This is consistent with the current regulatory approach in Tasmania and in most other jurisdictions.<sup>62</sup>

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<sup>58</sup> NER, clause 6.2.1.

<sup>59</sup> NEL, s. 2F(a) and (d).

<sup>60</sup> NER, clause 6.2.2(d).

<sup>61</sup> Industrial and large customers may use types 1, 2, 3 or 4 meters. These meters are already open to competition and are not regulated by us (NER, clauses 7.2.3(a)(2) and 7.3.1.A(a)).

## Expanding competition in metering and related services

In October 2013 the Standing Council on Energy and Resources (SCER) (now the COAG Energy Council) submitted a rule change request seeking to establish arrangements that would promote competition in the provision of metering and related services in the NEM. SCER proposed changes to the NER, and National Energy Retail Rules where necessary, to implement arrangements that would support a competitive market for the provision of metering and related services.

The proposed changes are largely based on the recommendations made by the AEMC in its Power of Choice review in 2012. The proposed changes form part of SCER's (now COAG Energy Council's) broader energy market agenda to support investment and market outcomes in the long term interests of consumers. The AEMC recommended metering costs be unbundled from shared network charges.<sup>63</sup> Also, that provision of metering services be contestable and not be a monopoly service exclusively provided by distributors. The AEMC is currently considering this rule change.

Vector Limited has submitted that contestability in metering services be considered in the development of the F&A for Tasmania. Vector Limited stated:

Ongoing reforms include the introduction of competition in metering services in the National Electricity Market ("NEM"). This would have significant implications for Tasmania, where type 5 and type 6 ("legacy") metering services are currently being provided only by TasNetworks.

TasNetworks' existing F&A paper has envisaged no alternative metering providers entering the market (during the current regulatory control period), i.e. that metering services will continue to be provided only by TasNetworks (then Aurora Energy):

... This assumption needs to be revised in TasNetworks' existing F&A paper, given that one of the intentions of the ongoing reforms is to open up the metering market to competition.<sup>64</sup>

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<sup>62</sup> NER, clause 6.2.2(c)(3) and (4). Also, AER, *Stage 1 Framework and approach paper – Ausgrid, Endeavour Energy and Essential Energy*, March 2013, p. 26. AER, *Final Framework and approach for the Victorian Electricity Distributors, Regulatory control period commencing 1 January 2016*, October 2014.

<sup>63</sup> AEMC, *Power of choice review – giving consumers options in the way they use electricity – final report*, November 2012, p. 83.

<sup>64</sup> Vector Limited, Submission, 18 March 2015.

While we do not determine the contestability of metering services through our F&A process, our preliminary approach to classification would facilitate contestability should rule and other changes occur to open up the metering market in Tasmania.

As set out above, we propose to classify type 5, 6 and 7 metering services as alternative control, maintaining the current separation between the costs for these services and network services. Our preliminary approach is therefore consistent with the AEMC's final report for its Power of Choice Review<sup>65</sup> and SCER's subsequent rule change request which promote the unbundling of metering costs and services from network services.<sup>66</sup>

As noted by Vector Limited in its submission,<sup>67</sup> there are a number of issues currently under consideration associated with effective implementation of contestability in metering services, such as cost recovery for an existing meter owned by a distributor where customers acquire a new meter from an alternative supplier. The AER will be giving consideration to these issues in forthcoming determinations for distributors in NSW, Queensland and South Australia. There is a clear intent of policy makers to see a competitive metering market develop in the NEM and we recognise that exit fees represent a significant barrier to this market. We have sought to reduce this barrier by classifying metering services, as alternative control services, in a way that allows for the recovery of the distributor's sunk residual capital costs of a meter from all customers.

It is noted that the AEMC's consultation on the proposed rule changes referred to above is currently underway and a final determination is expected in mid-2015.<sup>68</sup> The AER may revise its position on classification of metering services in Tasmania if this is necessary to achieve a position consistent with the approach to metering regulation in forthcoming determinations for distributors in NSW, Queensland and South Australia and the rule changes ultimately adopted.

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<sup>65</sup> AEMC, *Power of choice review – giving consumers options in the way they use electricity – final report*, November 2012, chapter 4.

<sup>66</sup> SCER, *Introducing a new framework in the National Electricity Rules that provides for increased competition in metering and related services, rule change request*, SCER, October 2013, p 11.

<sup>67</sup> Vector Limited, Submission, 18 March 2015.

<sup>68</sup> See: <http://www.aemc.gov.au/Rule-Changes/Expanding-competition-in-metering-and-related-serv>.

### 1.3.3 Public lighting

TasNetworks operates and maintains the public lighting system throughout Tasmania on behalf of 29 local councils and the Department of State Growth. While the Department is responsible for providing public lighting on state roads and major highways, these assets are serviced and maintained by TasNetworks. TasNetworks owns the majority of public lighting assets in Tasmania where approximately 75 per cent of public lights are supported on TasNetworks' electricity distribution poles. The remaining 25 per cent are supported by dedicated public lighting poles which are mostly privately owned.<sup>69</sup> The provision of new public lighting services, such as the design, construction and connection of public lighting assets, has previously been undertaken by TasNetworks in the majority of new estate developments. Estate developers have also undertaken design and construction public lighting assets, later transferring ownership of these assets to local councils or TasNetworks. Prior to the current regulatory control period, public lighting services were not regulated in Tasmania.

Public lighting repair, maintenance, like-for-like replacement and the provision of new public lighting assets are currently alternative control services in Tasmania. Installation of new public lighting technologies is currently a negotiated service. These classifications reflect that public lighting services have generally been provided as monopoly services by TasNetworks to specific customers while the emergence of new lighting technologies has increased the potential and demand for alternative supply arrangements.

New technologies are producing luminaires which are significantly more energy efficient, using less electricity than older public lighting assets. Currently LED lights are the latest such technology. New public lighting technologies refers to equipment such as luminaires that TasNetworks does not provide, or may not exist, at the time of our distribution determination. However new technologies may become available during the next regulatory control period. Such technologies offer cost savings which local councils value as a benefit for their ratepayers.

TasNetworks has requested that a change to the classification of public lighting services be considered.

TasNetworks stated:

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<sup>69</sup> Aurora, *Information paper*, May 2010, p. 8; Aurora, *Prices for the provision of Street Lights for the period 1 July 2010 until 30 June 2011*, May 2010, p. 2.

... TasNetworks ... no longer has a monopoly over the provision of public lighting services. Public lighting services can now be considered a competitive activity where bilateral negotiation can produce more efficient, customer focussed outcomes. The service classification should reflect this competitive environment.<sup>70</sup>

Hobart City Council and Glenorchy City Council have also supported a review of the current classifications of public lighting services in Tasmania.

Hobart City Council stated:

There may be other alternatives to the two categories of charges ... which can provide a better overall outcome and this may be assisted by a more flexible arrangement for price setting, both for current and new technologies which is available through the Negotiated Distribution Service classification.<sup>71</sup>

Glenorchy City Council stated:

The current classification of public lighting services as Direct Control / Alternative Control allows little scope for exploring different models of ownership and maintenance, whereas a Negotiated Distribution Service classification would allow greater scope for innovation in this area.<sup>72</sup>

Trans Tasman Energy Group also submitted that a reconsideration of current classifications is warranted.

Trans Tasman Energy Group stated:

Whilst the Alternative Control classification may have been appropriate where services (including light types) were expected to be the same throughout a regulatory period, it is not designed to establish services and prices for a market with potentially dynamic changes to technologies and provision of services.<sup>73</sup>

Our preliminary position is to retain the current classifications for public lighting services in Tasmania. Our reasons are discussed below. However we are seeking further views on the classification of these services. Below we discuss whether all public lighting services in Tasmania could be classified as negotiated services.

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<sup>70</sup> TasNetworks, Letter to AER, *TasNetworks' Framework and Approach for the 2017 Distribution Determination*, 22 October 2014.

<sup>71</sup> Hobart City Council, Submission, 18 March 2015.

<sup>72</sup> Glenorchy City Council, Submission, 19 March 2015.

<sup>73</sup> Trans Tasman Energy Group, Submission, 16 March 2015

### Public lighting services (excluding new public lighting technology services)

Our preliminary position is to classify public lighting repair, maintenance, like-for-like replacement and the provision of new public lighting assets as a direct control service and further, as alternative control. This is consistent with our current approach. This section discusses our reasons for our preliminary position to classify public lighting as alternative control.

While TasNetworks does not have a legislative monopoly over public lighting services, a monopoly position exists to a large extent.<sup>74</sup> TasNetworks owns the majority of public lighting assets<sup>75</sup> and other parties need access to poles and easements to install their own public lighting assets. TasNetworks owns and controls this supporting infrastructure and there are safety restrictions on the qualifications of technicians working on and near this infrastructure. Therefore, similar to network services, ownership of network assets largely restricts the repair, maintenance, like-for-like replacement and provision of new public lighting assets to TasNetworks.<sup>76</sup> Therefore our preliminary position is to classify public lighting services, excluding new technology services, as direct control services.<sup>77</sup> This is consistent with the current classification.

As direct control services, we must further classify public lighting services as either standard control or alternative control services.<sup>78</sup> Our preliminary position is to classify public lighting as an alternative control service, consistent with current arrangements. We consider that this approach does not limit the scope for third parties and new entrants to provide public lighting services for new public lighting assets in the future. As an alternative control service, TasNetworks must directly attribute the costs of providing public lighting services to a specific set of customers, such as local councils.<sup>79</sup> We consider that transparency of the costs of providing public lighting services may encourage other potential service providers to enter the market.<sup>80</sup>

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<sup>74</sup> NEL, s. 2F(d).

<sup>75</sup> NEL, s. 2F(a).

<sup>76</sup> NEL, s. 2F(a)(d).

<sup>77</sup> NER, clause 6.2.1.

<sup>78</sup> NER, clause 6.2.2(c).

<sup>79</sup> NER, clause 6.2.2(c)(3) and (5).

<sup>80</sup> NER, clause 6.2.2(c)(1).

Applying the alternative control classification, there would be no material effect on administrative costs to us, TasNetworks, users or potential users, because we are retaining the current classification.<sup>81</sup>

### **New public lighting technology services**

Our preliminary position on new public lighting technology is to continue the existing classification as a negotiated service.

In consultations for the Victorian F&A last year we received submissions that raised concerns that the current regime for implementing new technology in public lighting is slow and cumbersome.<sup>82</sup> We note these submissions had not suggested their concerns were due to the classification of public lighting. Rather, the issues confirmed that there remains a role for distributors and regulatory oversight in relation to many types of public lighting. However, we agree that classifying new public lighting technology services as direct control services would add an additional layer of economic regulation which may slow the adoption of emerging technologies. Consequently, we consider new public lighting technology services should continue to be classified as negotiated services.

### **Could public lighting be a negotiated service?**

Our preference is to allow the competitive provision of services wherever practicable. We note the dissatisfaction expressed in submissions with the current approach to public lighting. While our preliminary position is to continue the current classification approach, we think there is a potential case to move to a negotiated service classification for all public lighting services.

Local councils are experienced in procuring services and are large customers relative to households and small businesses. Also, local councils are not required to ask TasNetworks to provide, operate and maintain their street lighting assets. As public lighting customers, they have the option of providing (and owning), operating and maintaining their own public lights, thereby avoiding TasNetworks' physical public lighting services (by using an 'energy only' service). As discussed above, TasNetworks has advised that a number of local councils in Tasmania are currently seeking to undertake the provision, maintenance and operation

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<sup>81</sup> NER, clause 6.2.2(c)(2).

<sup>82</sup> AER, Final Framework and approach for the Victorian Electricity Distributors, Regulatory control period commencing 1 January 2016, October 2014.



of public lighting services in their areas.<sup>83</sup> We consider the potential for alternative supply arrangements for both existing and new public lighting technology could provide countervailing power to local councils and place greater competitive pressure on the pricing and quality of public lighting services in Tasmania.

When public lighting is classified as an alternative control service, we must make a determination on the prices customers will pay. A distributor must ask us to approve its proposed capital and maintenance charges within the regulatory control period. This process provides transparency of the costs and certainty of the charges of providing public lighting services which may encourage other potential service providers to enter the market. Where a price cap form of control is applied to public lighting services, TasNetworks can charge below the cap in response to customer pressure, but is not required to. Allowing local councils to negotiate the price of their public lighting services under a negotiated services classification instead of alternative control may potentially be more effective in facilitating the availability of public lighting services that better meet customer preferences. However if local councils do not possess genuine countervailing power in negotiations the outcome may be frequent resort to regulatory intervention to arbitrate disputes which would involve additional regulatory costs to TasNetworks, local councils and other parties. This would not necessarily be a superior regulatory outcome.

Our views on this issue are preliminary and yet to be fully informed by stakeholder views. We encourage further submissions from local councils and other interested stakeholders on the potential to change our current approach.

We seek stakeholder submissions on the potential to classify all public lighting as a negotiated service.

### 1.3.4 Connection services

Chapter 10 of the rules defines connection services.<sup>84</sup> Put simply, a connection service refers to the services a distributor performs to:

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<sup>83</sup> TasNetworks, Letter to AER, *TasNetworks' Framework and Approach for the 2017 Distribution Determination*, 22 October 2014.

<sup>84</sup> NER, chapter 10 defines connection services as consisting of entry services and exit services. An entry service is a service provided to serve a generator or group of generators, or a network service provider or group of network service providers, at a single connection point. An exit service is a service provided to serve a distribution customer or a group of distribution customers, or a network service provider or group of network service providers, at a single connection point.

- connect a person’s home, business or other premises to the electricity distribution network
- alter an existing connection to get more electricity from the distribution network than is possible at the moment
- extend the network to reach a person’s premises.

Clause 26 of the ESI Act places an obligation on TasNetworks to connect a customer unless there is scope that the connection would:

- be detrimental to the network
- be in contravention of its licence conditions
- increase the risk of fire or damage to life or property.

In Tasmania, connection services can only be supplied by TasNetworks and we currently classify standard connection services and connections requiring augmentation as standard control services. The cost of connection services is therefore currently spread across all customers using the shared network excluding the cost of any up-front capital contributions made by customers requesting connection services. Customer contributions for connection augmentation are unregulated in the current regulatory control period.<sup>85</sup>

In October 2014 TasNetworks requested that a change to the classification of some connection services be considered. TasNetworks proposed that connection services that can be directly attributed to a single customer be classified as alternative control services.<sup>86</sup> TasNetworks subsequently advised AER staff that it had further considered its proposal to change the classification of pre-connection (design and application process) and new connection services from standard control to alternative control and was withdrawing the proposal.<sup>87</sup>

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<sup>85</sup> When the 2012-17 determination was made there was no regulated guideline or arrangement to cover the quantum of capital contributions, or a dispute resolution mechanism. Connection and capital contributions procedures and policies were not subject to OTTER approval.

<sup>86</sup> TasNetworks, Letter to AER, *TasNetworks’ Framework and Approach for the 2017 Distribution Determination*, 22 October 2014.

<sup>87</sup> Email from Bess Clark, TasNetworks to Darren Kearney, AER, 24 March 2015.

Our preliminary position is to retain the current classification for TasNetworks' connection services as standard control. Our reasons are set out below.

### *Connection charge guidelines*

We have developed and published connection charge guidelines under chapter 5A of the NER to guide the development of connection policies by distributors.<sup>88</sup> Chapter 5A regulates connection by retail customers and came into effect in conjunction with the implementation of the National Electricity Customer Framework on 1 July 2012 which applies in Tasmania. A distributor's connection policy sets out the circumstances in which connection charges including capital contributions are payable and the basis for determining the amount of those charges. TasNetworks will be required to submit its connection policies for approval by the AER, consistent with the principles set out in clause 5A.E.1 of the NER and the AER's guidelines, as part of its pricing proposal for the 2017-22 regulatory control period.<sup>89</sup>

Referring to connection services and chapter 5A of the NER, TasNetworks stated:

TasNetworks has set its customer contributions for the provision of these services during the current regulatory control period to be consistent with the provisions of chapter 5A. This means that all customers currently pay a 'fixed' contribution for the provision of these services, effectively a 'fee for services'.<sup>90</sup>

When determining the classification of services we examine the way in which the services are defined.<sup>91</sup> We are seeking to achieve as much consistency as practical across jurisdictions in the definition of these services. However, we recognise that the service classification applied may need to vary, taking account of historical jurisdictional practices and the degree of competition, or likelihood of competition developing, for these services.

As set out in our connection guidelines, we consider that a typical connection can be separated into at least four separate connection services, which can be broadly categorised in the following manner:

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<sup>88</sup> AER, *Connection charge guidelines for electricity retail customers, Under chapter 5A of the National Electricity Rules*, June 2012.

<sup>89</sup> The Consumer Challenge Panel's (CCP4) submission requested clarification on the future regulatory arrangements for connection services and capital contributions. Consumer Challenge Panel - Sub Panel CCP4, Submission, 10 March 2015.

<sup>90</sup> TasNetworks, Letter to AER, *TasNetworks' Framework and Approach for the 2017 Distribution Determination*, 22 October 2014.

<sup>91</sup> AER, *Final Decision, Connection charge guidelines: under chapter 5A of the National Electricity Rules, For retail customers accessing the electricity distribution network*, June 2012.

- Augmentation (insofar as it involves more than an extension)—any augmentation which is not an extension
- Extension—an augmentation that requires the connection of a power line or facility outside the present boundaries of the transmission or distribution network owned, controlled or operated by a Network Service Provider
- Augmentation of premises connection assets at the retail customer’s connection point—we consider this would include any connection assets located on the retail customers premises
- Design and administration services—including administration, design, certification and inspection.

The exact nature of these connection services may differ between distributors and between different jurisdictions. Therefore we consider a distributor will define the specific connection services that it offers within each broad category. A distributor may also propose disaggregating the broad categories outlined above or propose further services.

Our connection charge guidelines can be applied to different classifications of connection services (and forms of control) adopted in our F&A paper. The guidelines do not pre-empt any decision we make or bind us to apply any particular service classification. However, we have set out the following factors as relevant to classification of connection services:<sup>92</sup>

- Where a service is offered in a competitive market, we may determine that no regulation of that market is required and so choose not to regulate the service
- If the cost of a connection service can be readily attributed to a particular customer, and the service is not contestable (or there is not a competitive market for the provision of the service), then an alternative control service classification may be appropriate. Augmentation of premises connection assets at the retail customer’s connection point, extensions and incidental connection services, might generally fit into this category

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<sup>92</sup> AER, Final Decision, Connection charge guidelines: under chapter 5A of the National Electricity Rules, For retail customers accessing the electricity distribution network, p. 18, June 2012.

- If the cost of the connection cannot be easily attributed to an individual customer, then a standard control service classification might be appropriate. Augmentation (insofar as it involves more than an extension) might generally fit into this category
- We consider that standard control connection services should be undertaken to the least cost technically acceptable standard. If a distributor is requested to perform a standard control connection service to a higher standard, then it should propose an additional connection service specifically related to works performed to a higher standard than the least cost technically acceptable standard. It might be appropriate that the provision of connection assets to a standard greater than the least cost technically acceptable standard be classified as either alternative control or negotiated services.

### Classification of TasNetworks connection services

TasNetworks holds an electricity distribution licence which is the only distribution licence that is currently in place for Tasmania. Connection services involve work on, or in relation to, parts of TasNetworks' distribution network. We consider that, similar to network services, there is a regulatory barrier preventing any party other than TasNetworks providing connection services to its network.<sup>93</sup>

Because of this monopoly position, customers have limited negotiating power in determining the price and other terms and conditions on which TasNetworks provides these services. Furthermore, the scale of resources available to TasNetworks also likely prevents alternative providers from competitively providing connection services.<sup>94</sup> These factors contribute to our preliminary view that TasNetworks possesses market power in providing connection services. Because of these barriers to competition from alternative service providers, we propose to continue classifying connection services as direct control services.<sup>95</sup>

Our preliminary position is to retain the current classification of connection services as standard control services as:

- There appears little, if any, prospect for competition in the market for connection services in Tasmania. That is, we are not aware of any Tasmanian Government initiatives to introduce contestability for

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<sup>93</sup> NEL, s. 2F(a).

<sup>94</sup> NEL, s. 2F(d).

<sup>95</sup> NEL, s. 2F(a)(d).

connection services in the next regulatory control period. Therefore, our classification will not influence the potential for competition.

- There would be no material effect on administrative costs to us, TasNetworks, users or potential users. This is because classifying connection services as standard control services is consistent with the current regulatory approach.
- We currently regulate connection services in most other NEM jurisdictions under a direct form of control. The services subject to direct control and alternative control differs across jurisdictions, reflecting historical regulatory approaches and the degree of competition, or likelihood of competition developing, for these services in each jurisdiction. For example, we do not regulate some New South Wales connection services, which are competitively available.
- The nature of basic connection services is that in most instances, the customer requesting the service will benefit from the provision of that service. As such, the costs are directly attributable to identifiable customers consistent with applying the alternative control service classification. However, the operation of Chapter 5A and our guidelines implement an efficiency test, such that a new customer would only make a capital contribution where the cost of the connection is greater than the incremental revenue the distributor will receive over the expected connection life of the service (i.e. cost-revenue test). That is, where a connection service is classified as standard control, provision for the requesting customer to make a capital contribution, where the application of the test means an upfront capital contribution is required, protects the broader customer base from incurring additional costs for services of no benefit to them. Equally, however, the cost-revenue test means that a new customer does not pay more than is efficient for the new connection.

This means the cost-revenue test applied to standard control services under our guidelines determines whether an additional upfront capital contribution is required in order to improve user pays signals and reduce the level of cross-subsidies between customers. The cost-revenue-test will result in an additional

capital contribution for standard control connection services only if the cost of connecting a customer is greater than the anticipated level of revenue the DNSP will receive from that customer.<sup>96</sup>

We must act on the basis that there should be no departure from a previous classification unless another classification is clearly more appropriate.<sup>97</sup> We consider the current standard control classification supports the operation of Chapter 5A and our guidelines and provides a framework for consumers to understand where additional contributions may be required.

As discussed above, TasNetworks has previously raised whether some of its connection services should be classified as alternative control services. However, under this approach a new customer would have to pay the full costs of the connection service irrespective of whether this is offset by the incremental revenue the customer generates. We would be interested in feedback on whether any of TasNetworks' connection services would be more appropriately classified as alternative control services.

We seek stakeholder submissions on the potential to classify some of TasNetworks' connection services as alternative control.

### 1.3.5 Ancillary network services (fee based and quoted services)

For classification purposes, we propose to replace the current service groups called 'fee-based services' and 'quoted services' with a service group called 'ancillary network services'.

The existing 'fee based services' and 'quoted services' groupings describe the basis on which service prices are determined. We consider all of these services should be classified in a similar manner, regardless of how their regulated prices are determined.

Ancillary network services share the common characteristics of being routine and non-routine services provided to individual customers on an 'as needs' basis (e.g. energisation, de-energisation, re-energisation, meter testing, meter alteration, moving mains, services or meters, temporary supply, alteration and relocation of existing public lighting assets). Ancillary network services involve work on, or in relation to,

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<sup>96</sup> AER, Final Decision, Connection charge guidelines: under chapter 5A of the National Electricity Rules, For retail customers accessing the electricity distribution network, p. 7, June 2012.

<sup>97</sup> NER, cl. 6.2.2(d).

parts of TasNetworks' distribution network. Therefore, similar to network services only TasNetworks can perform these services.

In October 2014 TasNetworks proposed that a change to the classification of some quoted services be considered.<sup>98</sup> TasNetworks subsequently advised AER staff that it had further considered its proposal to change the classification of some quoted services and was withdrawing the proposal.<sup>99</sup>

Our preliminary position is to retain the current alternative control service classification for quoted services which we have grouped within ancillary network services. Our reasons are set out below.

We consider that, similar to network services, there is a regulatory barrier preventing any party other than TasNetworks providing ancillary network services.<sup>100</sup> Because of this monopoly position, customers have limited negotiating power in determining the price and other terms and conditions on which TasNetworks provides these services. Furthermore, the scale of resources available to TasNetworks also likely prevents alternative providers from competitively providing ancillary network services.<sup>101</sup> These factors contribute to our preliminary view that, like network services, TasNetworks possesses market power in providing ancillary network services.

Because of these barriers to competition from alternative service providers, we propose to continue classifying ancillary network services as direct control services.<sup>102</sup>

Having decided to apply a direct control classification to ancillary network services, we must further classify these services as either standard control or alternative control. We intend to continue classifying ancillary network services as alternative control because they are attributable to individual customers.<sup>103</sup> We adopt this view even though ancillary network services do not exhibit signs of competition or potential for competition. We also note that there would be no material effect on the administrative costs to us, the

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<sup>98</sup> TasNetworks, Letter to AER, *TasNetworks' Framework and Approach for the 2017 Distribution Determination*, 22 October 2014

<sup>99</sup> Email from Bess Clark, TasNetworks to Darren Kearney, AER, 24 March 2015.

<sup>100</sup> NEL, s. 2F(a).

<sup>101</sup> NEL, s. 2F(d).

<sup>102</sup> NEL, s. 2F(a)(d).

<sup>103</sup> NER, clause 6.2.2(c)(5).



distributors, users or potential users.<sup>104</sup> This is because classifying ancillary network services as alternative control services is consistent with the current approach.

The nature of ancillary network services is that the customer requesting the service will benefit from that service. As such, the costs of that ancillary network service are directly attributable to an individual customer.<sup>105</sup> This results in costs that are more transparent for customers.

For these reasons, we intend to classify ancillary network services as alternative control services in the next regulatory control period.

## **1.4 AER's preliminary approach to service classification**

In summary, we intend to group and classify TasNetworks' distribution services as set out in Appendix B.

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<sup>104</sup> NER, clause 6.2.2(c)(2).

<sup>105</sup> NER, clause 6.2.2(c)(5).

## 2 Control mechanisms

This attachment sets out our proposed form of control mechanisms to apply to TasNetworks' direct control services for the 2017–22 regulatory control period. This section also sets out our proposed approach to the formulae to give effect to the control mechanisms for direct control services.

Our distribution determination must impose controls over the prices (and/or revenues) of direct control services. This paper states our preliminary positions, together with our reasons, on the form(s) of the control mechanism(s) to apply to direct control services in the determination for the 2017–22 regulatory control period. We classify direct control services as standard control services or alternative control services. Different control mechanisms may apply to each of these classifications, or to different services within the same classification. Attachment 1 provides our proposed classification of Tasmanian distribution services.

We can only approve the forms of control in a distributor's regulatory proposal if it is identical to that set out in our F&A paper.<sup>106</sup> Additionally, the formulae that give effect to the control mechanisms in a distributor's regulatory proposal must be the same as the formulae set out in our F&A paper, unless we consider that unforeseen circumstances justify departing from the formulae set out in that paper.<sup>107</sup>

### 2.1 AER's preliminary position

Our preliminary position is to apply the following forms of control in the 2017–22 regulatory control period:

- Revenue cap — for services we classify as standard control services.
- Caps on the prices of individual services — for services we classify as alternative control services.

### 2.2 AER's assessment approach

Our consideration of the control mechanisms for direct control services consists of three parts:

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<sup>106</sup> NER, clause 6.12.3(c).

<sup>107</sup> NER, clause 6.12.3(c1).

- the form of the control mechanisms<sup>108</sup>
- the formulae to give effect to the control mechanisms
- the basis of the control mechanism.<sup>109</sup>

The rules set out the control mechanisms that may apply to both standard and alternative control services:<sup>110</sup>

- a schedule of fixed prices

A schedule of fixed prices specifies a price for every service provided by a distributor. The specified prices are escalated annually by inflation, the X factor and applicable adjustment factors. A distributor complies with the constraint by submitting prices matching the schedule in the first year and then escalated prices in subsequent years.

- caps on the prices of individual services<sup>111</sup>

Caps on the prices of individual services are the same as a schedule of fixed prices except that a distributor may set prices below the specified prices.

- caps on the revenue to be derived from a particular combination of services (revenue cap)

A revenue cap sets a maximum allowable revenue (MAR) for each year of the regulatory control period. A distributor must then recover revenue equal to or less than the MAR. A distributor complies with the constraint by forecasting sales for the next regulatory year and setting prices so the expected revenue is equal to or less than the MAR. At the end of each regulatory year, the distributor reports its actual revenues to us. We account for differences between the actual revenue recovered and the MAR in future years. This operation occurs through an overs and unders account, whereby any over-recovery (under-recovery) is deducted from (added to) the MAR in future years.

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<sup>108</sup> NER, clause 6.2.5(b).

<sup>109</sup> NER, clause 6.2.6(a).

<sup>110</sup> NER, clause 6.2.5(b).

<sup>111</sup> A price cap and a schedule of fixed prices are largely the same mechanism, with the only difference being that a price cap allows the distributors to charge below the capped price on some or all of the services.

- tariff basket price control (weighted average price cap or WAPC)

A WAPC is a cap on the average increase in prices from one year to the next. This allows prices for different services to adjust each year by different amounts. For example, some prices may rise while others may fall, subject to the overall WAPC constraint. A weighted average is used to reflect that services may be sold in different quantities. Therefore, a small increase in the price of a frequently provided service must be offset by a large decrease in the price of an infrequently provided service. A distributor complies with the constraint by setting prices so the change in the weighted average price is equal to or less than the CPI-X cap. Importantly, the WAPC places no cap on the revenue recovered by a distributor in any given year. That is, if revenue recovered under the WAPC is greater than (less than) the expected revenue, the distributor keeps (loses) that additional (shortfall) revenue.

- revenue yield control (average revenue cap)

An average revenue cap is a cap on the average revenue per unit of electricity sold that a distributor can recover. The cap is calculated by dividing the MAR by a particular unit (or units) of output, usually kilowatt hours (kWh). The distributor complies with the constraint by setting prices so the average revenue is equal to or less than the MAR per unit of output.

- a combination of any of the above (hybrid).

A hybrid control mechanism is any combination of the above mechanisms. Typically, hybrid approaches involve a proportion of revenue that is fixed and a proportion that varies according to pre-determined parameters, such as peak demand.

In considering our preliminary position, we have not considered a schedule of fixed prices or caps on the prices of individual standard control services. This is because we consider these direct price control mechanisms do not provide the level of flexibility within the regulatory control period for TasNetworks to manage distribution use of service charges shared across the broad customer base. Consequently, our assessment approach is focussed on a revenue cap or WAPC.

### 2.2.1 Standard control services

In determining a control mechanism to apply to standard control services, we will have regard to the factors in clause 6.2.5(c) of the rules:

- need for efficient tariff structures
- possible effects of the control mechanism on administrative costs of us, the distributor, users or potential users
- regulatory arrangements (if any) applicable to the relevant service immediately before the commencement of the distribution determination
- desirability of consistency between regulatory arrangements for similar services (both within and beyond the relevant jurisdiction)
- any other relevant factor.

We also propose to have regard to three other factors which we consider are relevant to assessing the most suitable control mechanism:

- revenue recovery
- price flexibility and stability
- incentives for demand side management.

The basis of the control mechanism for standard control services must be of the prospective CPI-X form or some incentive-based variant.<sup>112</sup>

The following sections outline our consideration of each of the above factors in determining our proposed form of control for standard control services.

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<sup>112</sup> NER, clause 6.2.6(a).

## Need for efficient tariff structures

Broadly, we consider prices are efficient if they reflect the underlying cost of supplying distribution services and take into account customers' willingness to pay.

Efficient pricing is important for several reasons. Where prices are cost reflective:

- allocative efficiency is maximised because consumers can compare the cost of providing the service to their needs and wants<sup>113</sup>
- consumers and providers of demand side management face efficient incentives because they can take into account the cost of providing the service in decision making
- a distributor can make efficient investment decisions. Because consumers base consumption decisions on the cost of providing the service compared to their value of consumption, increases and decreases in demand signal the potential need for extra network capacity.

## Administrative costs

Where possible, a control mechanism should minimise the complexity and administrative burden for us, the distributor and users.

## Existing regulatory arrangements

We consider that consistency in regulatory arrangements across regulatory periods for similar services provided by a distributor is generally desirable.

## Desirability of consistency between regulatory arrangements

We consider that consistency within and across jurisdictions for similar services is also generally desirable.

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<sup>113</sup> Allocative efficiency is achieved when the value consumers place on a good or service (reflected in the price they are willing to pay) equals the cost of the resources used up in production. The condition required is that price equals marginal cost. When this condition is satisfied, total economic welfare is maximised.

## Revenue recovery

We consider that a control mechanism should give a distributor an opportunity to recover efficient costs. We also consider that a control mechanism should limit revenue recovery above such costs. Revenue recovery above efficient costs results in higher prices for end users. Further, allocative efficiency is reduced when a distributor recovers additional revenue from price sensitive services through prices above marginal cost.

## Pricing flexibility and stability

Price flexibility enables a distributor to restructure existing prices and/or introduce charges for new services. The stability and predictability of distribution network prices is important because it affects consumers' ability to manage bills and retailers' ability to manage risks incurred from changes to network prices.

## Incentives for demand side management

Demand side management refers to the implementation of non-network solutions to avoid the need to build network infrastructure to meet increases in annual or peak demand.<sup>114</sup> As noted above, where prices are cost reflective, consumers and providers of demand side management face efficient incentives because they can take into account the cost of providing the service in decision making.

### 2.2.2 Alternative control services

In determining a control mechanism to apply to alternative control services, we will consider the factors in clause 6.2.5(d) of the rules:

- the potential for competition to develop in the relevant market and how the control mechanism might influence that potential
- the possible effects of the control mechanism on administrative costs for us, the distributor and users or potential users
- the regulatory arrangements (if any) applicable to the relevant service immediately before the commencement of the distribution determination

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<sup>114</sup> Generally peak demand is referred to as the maximum load on a section of the network over a very short time period.

- the desirability of consistency between regulatory arrangements for similar services (both within and beyond the relevant jurisdiction)
- any other relevant factor.

We propose that another relevant factor is the provision of cost reflective prices. Efficient prices or cost reflectivity allows consumers to compare the cost of providing the service to their needs and wants. Cost reflective prices also allow distributors to make efficient investment and demand side management decisions.

We must state what the basis of the control mechanism is in our distribution determination.<sup>115</sup> This may utilise elements of Part C of chapter 6 of the rules with or without modification. For example, the control mechanism may use a building block approach or incorporate a pass-through mechanism.<sup>116</sup>

## **2.3 AER's reasons — control mechanism and formulae for standard control services**

We consider that maintaining a revenue cap for standard control services in Tasmania best meets the factors set out under clause 6.2.5(c) of the rules.<sup>117</sup> We consider that a revenue cap will result in benefits to consumers through a higher likelihood of revenue recovery at efficient cost, better incentives for demand side management, less reliance on energy forecasts and better alignment with the introduction of efficient prices. Furthermore, we consider that the potential detriments of a revenue cap – within period pricing instability and weak pricing incentives – are able to be mitigated. We provide our consideration of these issues below.

### **2.3.1 Efficient tariff structures**

Broadly, we consider that efficient prices incorporate two key characteristics:

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<sup>115</sup> NER, clause 6.2.6(b).

<sup>116</sup> NER, clause 6.2.6(c).

<sup>117</sup> The Consumer Challenge Panel supported maintaining a revenue cap for standard control services. Consumer Challenge Panel - Sub Panel CCP4, Submission, 10 March 2015.



- the underlying cost of supply
- the willingness of customers to pay.

While there are a variety of methods of incorporating these characteristics, we consider that the resulting prices from each will include many of the same features. First, because for the majority of distributors the costs of supply are fixed or relate to peak demand, efficient prices will generally be structured around fixed or peak prices.<sup>118</sup> Second, because customers' willingness to pay for connection to the network is generally higher than for electricity consumption, where the price must be set above the cost of supply, the largest margin is likely to be applied to fixed (connection) prices.

To illustrate relative efficiency of different tariff structures, we have previously compared the Queensland distributors, under a revenue cap, and the NSW distributors under a WAPC. In general, we concluded that tariff structures that include a greater reliance on time of use (or load control tariffs) or fixed charges are more efficient than tariffs based simply on the accumulated energy consumption. We published a discussion on the efficiency of different tariff structures last year.<sup>119</sup> In reviewing the form of control in NSW<sup>120</sup> we found that a WAPC had not encouraged the NSW distributors to adopt efficient prices, despite theory that suggested this should be an outcome of a WAPC.

Figure 4 below compares the Queensland distributors under their current revenue cap and the WAPC the NSW distributors have operated under in recent years. From the figures below we can see that despite operating under a revenue cap, the Queensland distributors have a higher proportion of revenues raised through prices we regard as more efficient, such as fixed price components and prices for controlled loads. We concluded from this evidence that a revenue cap has not discouraged the adoption of more efficient tariff structures.

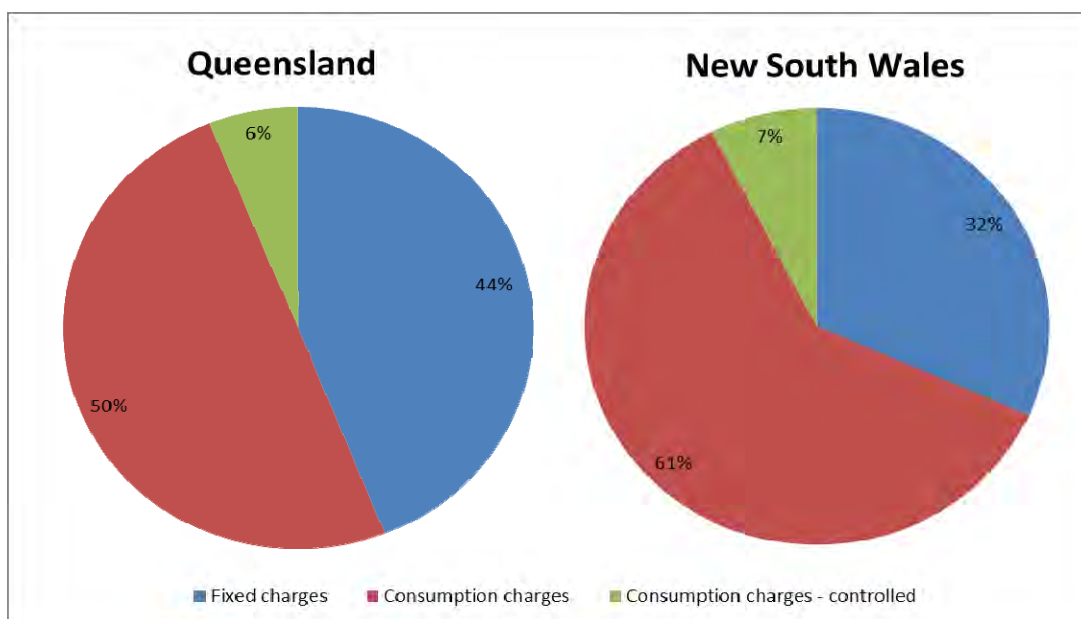
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<sup>118</sup> Peak prices include peak energy, demand and capacity prices.

<sup>119</sup> AER, *Stage 1 NSW framework and approach Ausgrid, Endeavour Energy and Essential Energy, 1 July 2014–30 June 2019*, March 2013, p. 45

<sup>120</sup> AER, *Stage 1 NSW framework and approach Ausgrid, Endeavour Energy and Essential Energy, 1 July 2014–30 June 2019*, March 2013, p. 45.

Figure 4: Queensland and NSW distributors' revenue type



Source: AER. Qld DNSPs' revenue type is for 2012–13 while NSW DNSPs' revenue type is for 2008–09.

A significant issue in recent times has been the widespread difficulty experienced in all sectors of the NEM in accurately forecasting customer demand. Despite economic growth and renewed business activity across the nation following the global financial crisis, energy demand has continued to exhibit a downward trend. This trend is widely attributed to a range of factors including higher energy efficiency, widespread penetration of solar, higher prices and increased customer concern about climate change. This makes the future forecasting of demand a very difficult task for all in the industry

We consider the risks to consumers of incurring higher costs are exacerbated under a WAPC in a situation where an unanticipated negative trend in the rate of energy use may continue. Consequently, we consider this risk is better managed under a revenue cap.

### 2.3.2 Administrative costs

We consider that there is little difference in administrative costs between control mechanisms under the building block framework in the long run. However, we note that a change to a WAPC would likely result in increased administrative costs in the short run. Under a WAPC revenue is variable within the regulatory control period which results in higher revenue risk to a distributor. This would likely lead to increased costs through risk minimisation strategies. Furthermore, maintaining a revenue cap in Tasmania will likely lead to reduced administrative costs to users and us due to consistency across and between regulatory

arrangements. We are proposing the introduction of a revenue cap in Victoria, South Australia and New South Wales. This consistency will lead to reduced administrative costs for us through standardisation of modelling approaches, incentive schemes and consultation requirements.

### **2.3.3 Existing regulatory arrangements**

We consider that consistency across regulatory control periods is generally desirable but also needs to be weighed against the other factors under clause 6.2.5(c) of the rules. Having had regard to these factors we consider it appropriate to maintain a revenue cap for standard control services in Tasmania. The outcomes under the factors further the national electricity objectives and are consistent with the revenue and pricing principles.

### **2.3.4 Desirability of consistency between regulatory arrangements**

We consider that consistency between regulatory arrangements is generally desirable but also needs to be weighed against the other factors under clause 6.2.5(c) of the rules. Having had regard to these factors we consider it appropriate to maintain a revenue cap for standard control services in Tasmania. The outcomes under the factors further the national electricity objectives and are consistent with the revenue and pricing principles.

### **2.3.5 Revenue recovery**

We consider that a revenue cap provides a high likelihood of efficient cost recovery. We consider that because costs for a distributor are largely fixed and unrelated to energy sales, revenue recovery should also be largely fixed and unrelated to energy sales.

We consider that a WAPC does not provide a high or even reasonable likelihood of efficient cost recovery. We consider the WAPC provides an opportunity for distributors to recover revenue systematically above forecast. In contrast a revenue cap sets a maximum allowable revenue (MAR) for each year of the regulatory control period. A distributor must then recover revenue equal to or less than the MAR.

### **2.3.6 Pricing flexibility and stability**

We consider that price flexibility for existing tariffs and tariff structures is similar for all forms of control and that it is influenced by the side constraints and the pricing principles in the rules.

We consider that the revenue cap results in increased pricing flexibility in relation to the introduction of new tariffs and tariff structures. Under a revenue cap, to introduce a new tariff or tariff structure a distributor is required to submit reasonable forecasts for that tariff. As there is no revenue at risk because revenue is fixed over the regulatory control period, the incentive to manipulate such forecasts is low.

### 2.3.7 Pricing stability

We consider price instability can occur under all forms of control mechanisms. This is because the rules require various annual price adjustments regardless of the control mechanism.<sup>121</sup>

We consider that there is increased likelihood of overall price instability within a regulatory control period under a revenue cap. That is, the distributors must adjust prices during the regulatory control period to account for differences between forecast and actual sales volumes. The difference is added to what is called an unders and overs account. The balance of this account is then added to future revenue requirements to make certain the revenue cap is achieved.

Generally the balance of the unders and overs account is adjusted for in full at the first opportunity. In Tasmania,<sup>122</sup> we designed the unders and overs account for the current regulatory period as a rolling account with an estimate year to help smooth the price adjustments year on year.<sup>123</sup> We consider that incorporating forecast sales in forming the X-factors in the distribution determination will result in lower balances in the unders and overs account.<sup>124</sup>

We consider the WAPC can increase overall price stability within the regulatory control period compared to a revenue cap. However, a WAPC is unlikely to lead to increased price stability or predictability for

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<sup>121</sup> These include cost pass throughs, jurisdictional scheme obligations, tribunal decisions and transmission prices passed on to the distributors from Transmission Network Service Providers.

<sup>122</sup> AER, *Final distribution determination, Aurora Energy Pty Ltd, 2012–13 to 2016–17, attachments*, April 2012, pp. 2–24.

<sup>123</sup> AER, *Final Distribution Determination Aurora Energy Pty Ltd 2012–13 to 2016–17*, pp. 20–23, April 2012.

This approach means that instead of waiting two years before incorporating the under or over recovery into prices, an estimate (based on nine months of data) used in the calculation of the under or over recovery. This will reduce the likelihood of undesirable price shocks by smoothing the under and over recovery using more updated and accurate estimated and forecast data in the middle year.

<sup>124</sup> Currently under revenue caps the X-factors perform an adjustment of prices from revenue year on year without taking into account forecasted changes in customer numbers, energy sales and demand.

individual tariffs or customers. Under a WAPC a distributor faces an incentive to re-balance tariffs to maximise profit and this incentive may result in large changes to tariffs within the regulatory control period.

We consider that the WAPC can result in greater price instability across regulatory control periods compared to the revenue cap. This issue is particularly pronounced if a trend of falling volumes has set in throughout the regulatory control period, prompting a large upward adjustment in the X-factors (and hence prices) for the next regulatory control period under the WAPC. In contrast, the volume forecasts are updated annually under a revenue cap. This means that prices rise gradually over the regulatory period (rather than jump up at the end of the period) if a trend of falling demand occurs.

A further aspect to consider is the effect on price volatility stemming from the form of control between regulatory control periods. In moving from one regulatory control period to the next, a WAPC would likely subject consumers to large price increases if there are demand forecasting errors. That is, under a WAPC a distributor has the opportunity to recover revenue substantially above forecast revenue when actual quantities exceed forecast quantities. Similarly, they are able to recover revenue close to forecast when actual quantities are below forecast quantities. The revenue cap avoids this as demand only forms a small component of forecasting revenue requirements. This results in less price volatility and therefore less movement in prices for consumers between regulatory control periods.

### **2.3.8 Incentives for demand side management**

We consider a revenue cap provides an efficient incentive to undertake demand side management.

Under a revenue cap we fix a distributor's revenue over the regulatory control period. A distributor can therefore increase profits by reducing costs. This creates an incentive for a distributor to undertake demand side management projects that reduce total costs.<sup>125</sup> We consider this provides an efficient incentive for a distributor to undertake demand side management within a regulatory control period.

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<sup>125</sup> That is, demand side management projects that result in a reduction in future network expenditure greater than the cost of implementing the demand side management projects.

Under a WAPC a distributor's profits are linked directly to the actual volumes of electricity distributed. This means that even when implementation of a demand side management project would reduce a distributor's total costs it will likely face a disincentive to undertake the project because the costs of implementation plus the reduction in revenue will outweigh the reduction in network expenditure.

### 2.3.9 Hybrid form of control

We consider that higher administrative costs to distributors and us under a hybrid revenue cap outweigh the potential benefits of this form of control.

We have considered adjustment mechanisms (hybrid control mechanisms) to the revenue cap for variations from forecast peak demand and customer numbers, to account for the differences in a distributor's costs arising from such variations. That is, a form of control that allows revenue to be adjusted within the regulatory period to reflect deviations from forecast cost drivers. This design enables a distributor's revenues to align more closely to the cost drivers compared with a standard revenue cap. However, it may be difficult to develop an effective revenue function under a hybrid revenue cap resulting in the need to recalculate a distributor's maximum allowable revenue each year. This would involve substantial administrative costs throughout the regulatory control period. Additionally, because a large proportion of a distributor's costs are fixed rather than variable such adjustments may only result in small adjustments to a distributor's maximum allowable revenue. For these reasons, the Independent Pricing and Regulatory Tribunal (NSW) moved away from a hybrid revenue cap to a revenue cap in the 1999–2004 distribution determination.<sup>126</sup> Other regulators (Queensland Competition Authority and OTTER) have also noted the difficulties and complexities involved in developing and applying a hybrid revenue cap.<sup>127</sup>

### 2.3.10 Formulae for control mechanism

We are required to set out our proposed approach to the formulae that give effect to the control mechanisms for standard control services in the F&A paper.<sup>128</sup> We must include the formulae in our final

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<sup>126</sup> IPART, *Form of Economic Regulation for NSW Electricity Network Charges: Discussion Paper 48*, August 2001, p. 10.

<sup>127</sup> QCA, *Final Determination – Regulation of Electricity Distribution*, May 2005, p. 30; OTTER, *Investigation of Prices for Electricity Distribution Services and Retail Tariffs on Mainland Tasmania Final Report and Proposed Maximum Prices*, September 2003, p. 99.

<sup>128</sup> NER, clause 6.8.1(b)(2)(ii).

F&A in our distribution determination, unless we consider that unforeseen circumstances justify departing from the formulae as set out in the F&A.<sup>129</sup>

Below are proposed formulae to apply to TasNetworks' standard control services. We consider that the formula gives effect to the revenue cap.

$$(1) \quad MAR_t \geq \sum_{i=1}^n \sum_{j=1}^m p_{ij}^t q_{ij}^{t*} \quad i=1,\dots,n \text{ and } j=1,\dots,m \text{ and } t=1,\dots,5$$

$$(2) \quad MAR_t = AAR_t + I_t + T_t + B_t \quad t = 1,2,\dots,5$$

where;

$$(3) \quad AAR_1 = AR_1 (1 + S_1''')$$

t = 1

$$(4) \quad AAR_t = AAR_{t-1}(1 + CPI_t)(1 - X_t)(1 + S_t)$$

t = 2,3,4,5

Where:

$MAR_t$  is the maximum allowable revenue in year t.

$p_{ij}^t$  is the price of component i of tariff j in year t.

$q_{ij}^{*t}$  is the forecast quantity of component i of tariff j in year t.

$AR_t$  is the annual smoothed revenue requirement in the Post Tax Revenue Model for year t. Adjusted as necessary to account for any difference between actual inflation and estimated inflation.

$AAR_t$  is the adjusted annual smoothed revenue requirement for year t.

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<sup>129</sup> NER, clause 6.12.3(c1).

$I_t$  is the sum of incentive scheme adjustments in year t. To be decided in the final decision.

$T_t$  is the sum of end-of-period adjustments in year t. Likely to incorporate but not limited to adjustments from the initial regulatory control period. To be decided in the final decision.

$B_t$  is the sum of annual adjustment factors in year t. Likely to incorporate but not limited to adjustments for the overs and unders account. To be decided in the final decision.

$CPI_t$  is the percentage increase in the consumer price index. To be decided in the final decision.

$X_t$  is the X-factor in year t, incorporating annual adjustments to the PTRM for the trailing cost of debt where necessary. To be decided in the final decision.

$S_t'''$  is the sum of the s-factors for all parameters after application of the s-bank adjusted for the change in the annual revenue requirement between the last year of the 2012-2017 regulatory control period to 2017-18.

$S_t$  is the s-factor for regulatory year t.

## 2.4 AER's reasons — control mechanism for alternative control services

Our preliminary position is to apply caps on the prices of individual services in the next regulatory control period to all alternative control service.<sup>130</sup> We propose classifying the following services as alternative control services:

- type 5-7 metering services
- public lighting services (excluding new public lighting technology services)
- ancillary network services (fee based and quoted services).

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<sup>130</sup> The Consumer Challenge Panel supported maintaining price caps for alternative control services. Consumer Challenge Panel - Sub Panel CCP4, Submission, 10 March 2015



Our main consideration is that the benefit of caps on the prices of individual services is providing cost reflective pricing. We consider this benefit outweighs any detriment from increased administrative costs.

Through the distribution determination process, we will confirm the basis of the control mechanism for alternative control services.<sup>131</sup> That is, we will confirm whether we will set prices using a building block approach or another method. Prices for non-standard ancillary network services will be determined on a quoted basis. TasNetworks will propose the approach to determining quoted prices, which we will consider in making our distribution determination. Typically, prices for quoted services are based on quantities of labour and materials with the quantities dependent on a particular task. For example, where a customer seeks a non-standard connection which may involve an extension to the network the distributor may only be able to quote on the service once it knows the scope of the work.

- Our preliminary consideration of the relevant factors is set out below.

#### **2.4.1 Influence on the potential to develop competition**

We consider that the control mechanism for alternative control services will not have a significant impact on potential competition development. We consider the primary influence on competition development will be the classification of services as alternative control services. Attachment 1 discusses classification.

#### **2.4.2 Administrative costs**

Our preliminary view is that there will be no material impact on administrative costs for metering, ancillary network and public lighting services because we are continuing with caps on prices of individual services.

#### **2.4.3 Existing regulatory arrangements**

We consider consistency across regulatory control periods is generally desirable. However, we consider consistency across regulatory control periods should not be our primary consideration in determining a

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<sup>131</sup> The basis of the control mechanism is the method used to calculate the revenue to be recovered or prices to be set for a group of services. Clause 6.2.6(b) of the rules states that for alternative control services, the control mechanism must have a basis stated in the distribution determination. We are able to apply a control mechanism to a distributor's alternative control services as set out under chapter 6, Part C of the rules. This involves applying the building block approach, although we may only apply certain elements of the building block approach. Alternatively, we may implement a control mechanism that does not use the building block approach.

control mechanism. Our consideration of other factors in clause 6.2.5(d) of the rules leads us to the conclusion that price caps for individual services would lead to an overall outcome more consistent with the NEO and revenue and pricing principles than the other possible alternatives.

For metering, public lighting and ancillary network services, our preliminary position to apply caps on the prices of individual services is consistent with the current regulatory arrangements in Tasmania.

#### **2.4.4 Desirability of consistency between regulatory arrangements**

We consider consistency across jurisdictions is generally desirable but is not primary to our considerations. Desirability needs to be weighed against the other factors under clause 6.2.5(c) of the rules. Having considered these factors we have concluded that price caps for individual services would lead to an overall outcome more consistent with the NEO and revenue and pricing principles than the other possible alternatives.

#### **2.4.5 Cost reflective prices**

We consider that caps on the prices of individual services are more suitable than other control mechanisms for delivering cost reflective prices. To apply caps to the prices of individual services, we will estimate the cost of providing each service and set the price at that cost. If competition develops within the period on some or all services, TasNetworks will be able to compete by charging below the cap. However, unlike under a WAPC, TasNetworks will not be able to compensate for such reductions by increasing the price on non-competitive services. This will enhance cost reflectivity on both competitive and non-competitive services.

#### **2.4.6 Formulae for alternative control services**

We are required to set out our proposed approach to the formulae that give effect to the control mechanisms for alternative control services in the F&A paper.<sup>132</sup> We must include the formulae in our final

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<sup>132</sup> NER, clause 6.8.1(b)(2)(ii).

F&A in our distribution determination, unless we consider that unforeseen circumstances justify departing from the formulae as set out in the F&A paper.<sup>133</sup>

We propose to apply price cap formulae as set out below to the following services classified as alternative control in this preliminary positions paper:

- type 5-7 metering services
- public lighting services (excluding new public lighting technology services)
- ancillary network services (fee based and quoted services).

Below are proposed formulae to apply to alternative control services. We consider that the formula gives effect to the cap on the prices of individual services:

$$\bar{p}_i^t \geq p_i^t \quad i=1,\dots,n \text{ and } t=1,2,3,4$$

$$\bar{p}_i^t = \bar{p}_i^{t-1}(1 + CPI_t)(1 - X_i^t)$$

Where:

$\bar{p}_i^t$  is the cap on the price of service i in year t

$p_i^t$  is the price of service i in year t. The initial value is to be decided in the final decision.

$CPI_t$  is the percentage increase in the consumer price index. To be decided in the final decision.

$X_i^t$  is the X-factor for service i in year t, incorporating annual adjustments to the PTRM for the trailing cost of debt where necessary. To be decided in the final decision.

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<sup>133</sup> NER, clause 6.12.3(c1).

## 3 Incentive schemes

This attachment sets out our preliminary position on the application of a range of incentive schemes to TasNetworks for the next regulatory control period. At a high level, our preliminary position is to apply the:

- service target performance incentive scheme
- efficiency benefit sharing scheme
- capital expenditure sharing scheme
- demand management incentive scheme.

### 3.1 Service target performance incentive scheme

This section sets out our proposed approach and reasons for applying the service target performance incentive scheme (STPIS) to TasNetworks in the next regulatory control period.

Our national distribution STPIS<sup>134</sup> provides a financial incentive to distributors to maintain and improve service performance. The STPIS aims to ensure that cost efficiencies incentivised under our expenditure schemes do not arise through the deterioration of service quality for customers. Penalties and rewards under the STPIS are calibrated with how willing customers are to pay for improved service. This aligns the distributor's incentives towards efficient price and non-price outcomes with the long-term interests of consumers, consistent with the National Electricity Objective (NEO).

The STPIS operates as part of the building block determination and contains two mechanisms:

- The service standards factor (s-factor) adjustment to the annual revenue allowance for standard control services rewards (or penalises) distributors for improved (or diminished) service compared to predetermined targets. Targets relate to service parameters pertaining to reliability and quality of supply, and customer service.

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<sup>134</sup> AER, *Electricity distribution network service providers - service target performance incentive scheme*, 1 November 2009.

- A guaranteed service level (GSL) component composed of direct payments to customers<sup>135</sup> experiencing service below a predetermined level.<sup>136</sup>

While the mechanics of how the STPIS will operate are outlined in our national distribution STPIS, we must set out key aspects specific to TasNetworks in the next regulatory control period at the determination stage, including:

- the maximum revenue at risk under the STPIS
- how the distributor's network will be segmented
- the applicable parameters for the s-factor adjustment of annual revenue across customer service, reliability and quality of supply components
- performance targets for the applicable parameters in each network segment
- the criteria for certain events to be excluded from the calculation of annual performance and performance targets
- incentive rates determining the relative importance of measured performance (against targets) across applicable parameters in each network segment.

TasNetworks can propose to vary the application of the STPIS in its regulatory proposal.<sup>137</sup> We can accept or reject the proposed variation in our determination. Each applicable year we will calculate TasNetworks' s-factor based on its service performance in the previous year against targets, subject to the revenue at risk limit. Our national STPIS includes a banking mechanism, allowing distributors to propose delaying a portion of the revenue increment or decrement for one year to limit price volatility for customers.<sup>138</sup> A distributor

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<sup>135</sup> Except where a jurisdictional electricity GSL requirement applies.

<sup>136</sup> Service level is assessed (unless we determine otherwise) with respect to parameters pertaining to the frequency and duration of interruptions; and time taken for streetlight repair, new connections and publication of notices for planned interruptions.

<sup>137</sup> AER, *Electricity distribution network service providers – service target performance incentive scheme*, 1 November 2009, clause 2.2.

<sup>138</sup> AER, *Electricity distribution network service providers – service target performance incentive scheme*, 1 November 2009, clauses 2.5(d) and (e).

proposing a delay must provide in writing its reasons and justification for believing that the delay will result in reduced price variations to customers.

Our national STPIS currently applies to TasNetworks which is subject to financial penalty or reward of  $\pm 5$  per cent through an s-factor adjustment to revenue. GSLs are provided for through the *Tasmanian Electricity Code's* (TEC's) GSL scheme, so the GSL component of the AER's STPIS does not apply.

### 3.1.1 AER's preliminary position

Our preliminary position is to continue to apply the national STPIS to TasNetworks in the next regulatory control period. Our proposed approach to applying the national STPIS in the next regulatory control period will be to:

- set revenue at risk for TasNetworks within the range  $\pm 5$  per cent.
- segment the network according to TEC supply reliability categories (critical infrastructure, high density commercial, urban, high density rural and low density rural)
- set applicable reliability of supply (system average interruption duration index or SAIDI and system average interruption frequency index of SAIFI) and customer service (telephone answering) parameters
- set performance targets based on TasNetworks' average performance over the past five regulatory years
- apply the methodology indicated in the national STPIS for excluding specific events from the calculation of annual performance and performance targets
- apply the methodology and value of customer reliability (VCR) values as indicated in our national STPIS to the calculation of incentive rates.

We will not apply the GSL component if TasNetworks remains subject to a jurisdictional GSL scheme.

The Consumer Challenge Panel submitted that we should consider whether changes should be made to standardise the application of the STPIS across all distribution networks.<sup>139</sup>

We recognise recent policy reviews that will impact on our development and application of the STPIS. In September 2014 the AEMC completed a review of distribution reliability measures in the NEM.<sup>140</sup> As discussed in more detail below, the Australian Energy Market Operator (AEMO) has also completed analysis on how willing consumers are to pay for improvements in network reliability.<sup>141</sup> We intend to review the application of our national STPIS to incorporate the findings of these reviews before finalising our draft determination for TasNetworks in September 2016.

### 3.1.2 AER's assessment approach

The rules require us to have regard to several factors in developing and implementing a STPIS for TasNetworks.<sup>142</sup> These include:

- Jurisdictional obligations
  - consulting with the authorities responsible for the administration of relevant jurisdictional electricity legislation
  - ensuring that service standards and service targets (including GSL) set by the scheme do not put at risk the distributor's ability to comply with relevant service standards and service targets (including GSL) specified in jurisdictional electricity legislation any regulatory obligations or requirements to which the distributor is subject.
- Benefits to consumers
  - the need to ensure that benefits to consumers likely to result from the scheme are sufficient to warrant any penalty or reward under the scheme

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<sup>139</sup> Consumer Challenge Panel - Sub Panel CCP4, Submission, 10 March 2015.

<sup>140</sup> AEMC, *Final Report, Review of distribution reliability measures*, 5 September 2014.

<sup>141</sup> AEMO, *Value of customer reliability review - Final report*, September 2014.

<sup>142</sup> NER, clause 6.6.2(b).

- the willingness of the customer or end user to pay for improved performance in the delivery of services.
- Balanced incentives
  - the past performance of the distribution network
  - any other incentives available to the distributor under the rules or the relevant distribution determination
  - the need to ensure that the incentives are sufficient to offset any financial incentives the distributor may have to reduce costs at the expense of service levels
  - the possible effects of the schemes on incentives for the implementation of non-network alternatives.

Our approach and reasons for developing the STPS are contained in our final decision for the national distribution STPIS.<sup>143</sup>

### 3.1.3 Reasons for AER's preliminary position

Our reasons for applying the STPIS to TasNetworks in the next regulatory control period are set out below.

#### Jurisdictional obligations

In Tasmania, the TEC sets out GSLs that apply to TasNetworks.<sup>144</sup> Our proposed approach to applying the STPIS in Tasmania is to not create duplication or compromise TasNetworks' ability to comply with the jurisdictional requirements. Our proposed approach is therefore to not apply the GSL component of our national STPIS while the GSL arrangements in the Tasmanian code remain in place. We will amend this position if the Tasmanian Government advises that these arrangements will cease to apply.

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<sup>143</sup> AER, *Final decision: Electricity distribution network service providers Service target performance incentive scheme*, 1 November 2009.

<sup>144</sup> OTTER, *Guideline - Guaranteed Service Level Scheme*, December 2007.



## Benefits to consumers

We are mindful of the potential impact of the STPIS on consumers. Under the rules, we must consider customers' willingness to pay for improved service performance so benefits to consumers are sufficient to warrant any penalty or reward under the STPIS.<sup>145</sup>

Under the STPIS, a distributor's financial penalty or reward in each year of the regulatory control period is the change in its annual revenue allowance after the s-factor adjustment. Economic analysis of the value consumers place on improved service performance is an important input to the administration of the scheme. Value of customer reliability (VCR) studies estimate how willing customers are to pay for improved service reliability as a monetary amount per unit of unserved energy during a supply interruption. As outlined in our national STPIS, we will use VCR estimates at different stages of our annual s-factor calculation to:

- set the incentive rates for each reliability of supply parameter; and
- weight reliability of supply performance across different segments of the network.

The VCR estimates currently in our national STPIS are taken from studies conducted for the Essential Services Commission Victoria and Essential Services Commission of South Australia.<sup>146</sup>

In September 2014 AEMO completed analysis of the VCR across the NEM.<sup>147</sup> This analysis will impact on our future development and application of the STPIS. However we consider there is insufficient time to conduct a comprehensive review of the STPIS before TasNetworks submits its proposal for the next regulatory control period in January 2016. Therefore our preliminary approach is to apply the national STPIS in its current form having regard to recent policy reviews that impact on its application. For example, we propose to apply the 2014 AEMO Tasmania VCR to calculate the incentive rates for TasNetworks as this approach better meets the STPIS objectives. Clause 3.2.2(a) of the STPIS allows us to apply alternative incentive rates that are not based on the VCR set out in clause 3.2.2(b) of the scheme. When

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<sup>145</sup> NER, clause 6.6.2(b)(3)(vi).

<sup>146</sup> Charles River Associates, *Assessment of the Value of Consumer Reliability (VCR)* - Report prepared for VENCORP, Melbourne 2002; KPMG, *Consumer Preferences for Electricity Service Standards*, 2003.

<sup>147</sup> AEMO, *Value of customer reliability review - Final report*, September 2014.

we developed the STPIS, we considered the VCR figures should be based on the most recent documented and robust work on reliability incentive rates.<sup>148</sup> AEMO has undertaken a thorough review of the VCR across the NEM surveying approximately 3000 residential, business and direct-connect customers across all NEM states and adopting a methodology through extensive stakeholder consultation and review by independent experts.

TasNetworks has referred to recent customer consultation it has undertaken where it found that customers are generally not seeking or wanting to pay for improvements in the current levels of reliability. TasNetworks has also commented on the operation of the STPIS in Tasmania in the current regulatory control period, noting the scheme's rewards and penalties do not provide for sustainable and predictable pricing outcomes for customers. TasNetworks considers that the variation could be limited by applying lower rewards and penalties under the scheme.<sup>149</sup>

Our preliminary position is to maintain revenue at risk for TasNetworks within the range  $\pm 5$  per cent as we do not consider that a lower level would better meet the objectives of the STPIS.

We note that the revised AEMO VCR values referred to above are lower than the values currently in the STIPIS. If the 2014 AEMO Tasmania VCR is applied in the next regulatory control period this will act to moderate pricing outcomes arising from the operation of the scheme. This is consistent with the STPIS objectives as the pricing outcomes would reflect the most recent customers' willingness to pay for improved performance in the delivery of services. Also, as discussed above, our STPIS includes a banking mechanism to limit price volatility for customers.

TasNetworks has operated under service incentive schemes for a number of regulatory control periods, that is, under the STIPIS in the current period and previously under a Tasmanian scheme administered by OTTER. We consider that TasNetworks is familiar with service incentive schemes and the operational measures required to maintain or improve its service performance given the level of revenue at risk. We note TasNetworks' view that its customers are generally not seeking or wanting to pay for improvements in the current levels of reliability, however we consider it less likely that customers would be satisfied with a

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<sup>148</sup> AER, *Electricity distribution network service providers Service target performance incentive scheme*, Final decision, June 2008, p 17.

<sup>149</sup> TasNetworks, *TasNetworks' Framework and Approach for the 2017 Distribution Determination*, Letter, 22 October 2014.

deterioration in reliability. We note that the potential for deterioration in service performance will increase if revenue at risk is reduced under the STIPIS.

TasNetworks may propose an alternative VCR estimate and revenue at risk, supported by details of the calculation methodology, research and customer consultation, in its regulatory proposal. We would be interested in feedback on whether adopting a lower level of revenue at risk under the STIPIS applied to TasNetworks would better meet the objectives of the scheme.

We seek stakeholder submissions on the level of revenue at risk applied to TasNetworks under the STIPIS.

## Balanced incentives

We administer our incentive schemes within a regulatory control period to align distributor incentives with the NEO. In implementing the STIPIS we need to be aware of both the operational integrity of the scheme and how it interacts with our other incentive schemes. This is discussed below.

### *Defining performance targets*

How we measure actual service performance and set performance targets can significantly impact how well the STIPIS meets its stated objectives.

The rules require us to consider past performance of the distributor's network in developing and implementing the STIPIS.<sup>150</sup> Our preferred approach is to base performance targets on TasNetworks' average performance over the past five regulatory years.<sup>151</sup> Using an average calculated over multiple years instead of applying performance targets based solely on the most recent regulatory year limits a distributor's incentive to underperform in the final year of a regulatory control period to make future targets less onerous.

Our national STIPIS limits variability in penalties and rewards caused by circumstances outside the distributor's control. We exclude interruptions to supply deemed to be outside the major event day boundary from both the calculation of performance targets and measured service performance.

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<sup>150</sup> NER, clause 6.6.2(b)(3)(iii).

<sup>151</sup> Subject to any modifications required under clauses 3.2.1(a) and (b) of the national STIPIS.

Our national STPIS recognises differences across and within distribution networks. Measured performance and performance targets are specific to each segment of a distributor's network.

### *Interactions with our other incentive schemes*

In applying the STPIS we must consider any other incentives available to the distributor under the rules or relevant distribution determination.<sup>152</sup> In Tasmania the STPIS will interact with our expenditure and demand management incentive schemes.

The efficiency benefit sharing scheme (EBSS) provides a distributor with an incentive to reduce operating costs. The STPIS counterbalances this incentive by discouraging cost efficiencies arising through reduced service performance for customers. The s-factor adjustment of annual revenue depends on the distributor's actual service performance compared to predetermined targets. In accordance with the rules we must set incentive rates to offset any financial incentives the distributor may have to reduce costs at the expense of service levels.<sup>153</sup>

In setting STPIS performance targets, we will consider both completed and planned reliability improvements expected to materially affect network reliability performance.<sup>154</sup>

The capital expenditure sharing scheme (CESS) rewards a distributor if actual capex is lower than the approved forecast amount for the regulatory year. Since our performance targets will reflect planned reliability improvements, any incentive a distributor may have to reduce capex by not achieving the planned performance outcome will be curtailed by the STPIS penalty.

The rules require us to consider the possible effects of the STPIS on a distributor's incentives to implement non-network alternatives to augmentation. The STPIS treats the reliability implications of network and non-network solutions symmetrically, neither encouraging nor discouraging non-network alternatives to augmentation.

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<sup>152</sup> NER, clause 6.6.2(b)(3)(iv).

<sup>153</sup> NER, clause 6.6.2(b)(3)(v).

<sup>154</sup> Included in the distributor's approved forecast capex for the next period.

We are aware of the perceived disincentive to implement demand-side alternatives to network augmentation created by reliability performance measures in the STPIS. Higher risk of failure to meet STPIS performance targets may act as a disincentive for non-network alternatives to network investment. One way to address this would be to exclude outages caused by non-network solutions from the calculation of actual performance. However, since network planning decisions are within the distributor's control, we consider this to be unnecessary.

## 3.2 Efficiency benefit sharing scheme

The EBSS is intended to provide a continuous incentive for a distributor to pursue efficiency improvements in opex, and provide for a fair sharing of these between a distributor and network users. Consumers benefit from improved efficiencies through lower regulated prices.

The Consumer Challenge Panel submitted that we should comment on whether and how the EBSS would be applied.<sup>155</sup>

This section sets out our preliminary position and reasons on how we intend to apply the EBSS to TasNetworks in the next regulatory control period.

### 3.2.1 AER's preliminary position

We propose applying our new EBSS<sup>156</sup> to TasNetworks for the 2017–22 regulatory control period.

Our distribution determination for TasNetworks for the next regulatory control period will specify how we will apply the EBSS.

### 3.2.2 AER's assessment approach

The EBSS must provide for a fair sharing between a distributor and network users of opex efficiency gains and efficiency losses.<sup>157</sup> We must also have regard to the following factors in developing and implementing the EBSS:<sup>158</sup>

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<sup>155</sup> Consumer Challenge Panel - Sub Panel CCP4, Submission, 10 March 2015.

<sup>156</sup> AER, *Efficiency benefit sharing scheme*, 29 November 2013.

- the need to ensure that benefits to electricity consumers likely to result from the scheme are sufficient to warrant any reward or penalty under the scheme
- the need to provide service providers with a continuous incentive to reduce opex
- the desirability of both rewarding service providers for efficiency gains and penalising service providers for efficiency losses
- any incentives that service providers may have to capitalise expenditure
- the possible effects of the scheme on incentives for the implementation of non-network alternatives.

### 3.2.3 Reasons for AER's preliminary position

The current EBSS applies to TasNetworks in the 2012-17 regulatory control period.<sup>159</sup> As part of our Better Regulation program we consulted on and published the new EBSS, taking into account the requirements of the rules.

The new EBSS retains the same form as the current EBSS, and merges the distribution and transmission schemes. Changes in the new EBSS relate to the criteria for adjustments and exclusions under the scheme.<sup>160</sup> We also amended the scheme to provide flexibility to account for any adjustments made to base year opex to remove the impacts of one-off factors. The new EBSS also clarifies how we will determine the carryover period. These revisions affect how carryover amounts are calculated for future regulatory control periods.<sup>161</sup>

In this section we set out why we propose to apply the new EBSS to TasNetworks in the next regulatory control period.

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<sup>157</sup> NER, clause 6.5.8(a).

<sup>158</sup> NER, clause 6.5.8(c).

<sup>159</sup> AER, *Electricity distribution network service providers, efficiency benefit sharing scheme*, 26 June 2008.

<sup>160</sup> We will no longer allow for specific exclusions such as uncontrollable opex or for changes in opex due to unexpected increases or decreases in network growth. We may also exclude categories of opex not forecast using a single year revealed cost approach from the scheme on an ex post basis if doing so better achieves the requirements of the rules.

<sup>161</sup> AER, *Efficiency benefit sharing scheme for electricity network service providers*, 29 November 2013.

In developing the new EBSS we had regard to the requirements under the rules, as set out in the scheme and accompanying explanatory statement.<sup>162</sup> This reasoning extends to the factors we must have regard to in implementing the scheme.

The EBSS must provide for a fair sharing of efficiency gains and losses.<sup>163</sup> Under the scheme distributors and consumers receive a benefit where a distributor reduces its costs during a regulatory control period and both bear some of any increase in costs.

Under the EBSS, positive and negative carryovers reward and penalise distributors for efficiency gains and losses respectively.<sup>164</sup> The EBSS provides a continuous incentive for distributors to achieve opex efficiencies throughout the subsequent period. This is because the distributor receives carryover payments so it retains any efficiency gains or losses it makes within the regulatory period for the length of the carryover period. This is regardless of the year in which it makes the gain or loss.<sup>165</sup>

This continuous incentive to improve efficiency encourages efficient and timely opex throughout the regulatory control period, and reduces the incentive for a distributor to inflate opex in the expected base year. This provides an incentive for distributors to reveal their efficient opex which, in turn, allows us to better determine efficient opex forecasts for future regulatory control periods.

The EBSS also leads to a fair sharing of efficiency gains and losses between distributors and consumers.<sup>166</sup> For instance the combined effect of our forecasting approach and the EBSS is that opex efficiency gains or losses are shared approximately 30:70 between distributors and consumers. This means for a one dollar efficiency saving in opex the distributor keeps 30 cents of the benefit while consumers keep 70 cents of the benefit. Example 1 shows how the EBSS operates. It illustrates how the benefits of a permanent efficiency improvement are shared approximately 30:70 between a network service provider and consumers.<sup>167</sup>

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<sup>162</sup> AER, *Efficiency benefit sharing scheme for electricity network service providers*, 29 November 2013; AER, *Explanatory statement, Efficiency benefit sharing scheme for electricity network service providers*, 29 November 2013.

<sup>163</sup> NER, clause 6.5.8(a).

<sup>164</sup> NER, clauses 6.5.8(c)(3) and 6.5.8(a).

<sup>165</sup> NER, clause 6.5.8(c)(2).

<sup>166</sup> NER, clause 6.5.8(c)(1).

<sup>167</sup> See also: AER, *Explanatory statement, Efficiency benefit sharing scheme for electricity network service providers*, 29 November 2013.

## Example 1 How the EBSS operates

Year	Regulatory period 1					Regulatory period 2					Future
	1	2	3	4	5	6	7	8	9	10	
Forecast ( $F_t$ )	100	100	100	100	100	95	95	95	95	95	95 p.a.
Actual ( $A_t$ )	100	100	100	95	95	95	95	95	95	95	95 p.a.
Underspend ( $F_t - A_t = U_t$ )	0	0	0	5	5	0	0	0	0	0	0 p.a.
Incremental efficiency gain ( $I_t = U_t - U_{t-1}$ )	0	0	0	5	0	0*	0	0	0	0	0 p.a.
Carryover ( $I_1$ )		0	0	0	0	0					
Carryover ( $I_2$ )			0	0	0	0	0				
Carryover ( $I_3$ )				0	0	0	0	0			
Carryover ( $I_4$ )					5	5	5	5	5		
Carryover ( $I_5$ )						0	0	0	0	0	
Carryover amount ( $C_t$ )						5	5	5	5	0	0 p.a.
Benefits to NSP ( $F_t - A_t + C_t$ )	0	0	0	5	5	5	5	5	5	0	0 p.a.
Benefits to consumers ( $F_t - (F_t + C_t)$ )	0	0	0	0	0	0	0	0	0	5	5 p.a.
Discounted benefits to NSP**	0	0	0	5	4.7	4.5	4.2	4.0	3.7	0	0
Discounted benefits to consumers**	0	0	0	0	0	0	0	0	0	3.5	58.8***

Notes: \* At the time of forecasting opex for the second regulatory period we don't know actual opex for year 5. Consequently this is not reflected in forecast opex for the second period. That means an underspend in year 6 will reflect any efficiency gains made in both year 5 and year 6. To ensure the carryover rewards for year 6 only reflect incremental efficiency gains for that year we subtract the incremental efficiency gain in year 5 from the total underspend. In the example above,  $I_6 = U_6 - (U_5 - U_4)$ .

\*\* Assumes a real discount rate of 6 per cent.

\*\*\* As a result of the efficiency improvement, forecast opex is \$5 million p.a. lower in nominal terms. The estimate of \$58.7m is the net present value of \$5 million p.a. delivered to consumers annually from year 11 onwards.



In implementing the EBSS we must also have regard to any incentives distributors may have to capitalise expenditure.<sup>168</sup> Where opex incentives are balanced with capex incentives, a distributor does not have an incentive to favour opex over capex, or vice-versa. The CESS is a symmetric capex scheme with a 30 per cent incentive power. This is consistent with the incentive power for opex when we use an unadjusted base year approach in combination with an EBSS. During the subsequent period when the CESS and EBSS are applied, incentives will be relatively balanced, and a distributor should not have an incentive to favour opex over capex or vice versa. We discuss the CESS further in section 3.3.

We must also consider the possible effects of implementing the EBSS on incentives for non-network alternatives.<sup>169</sup>

- Expenditure on non-network alternatives generally takes the form of opex rather than capex. Successful non-network alternatives should result in the distributor spending less on capex than it otherwise would have. Non-network alternatives and demand management incentives are discussed further in section 3.4.
- When the CESS and EBSS both apply, a distributor has an incentive to implement a non-network alternative if the increase in opex is less than the corresponding decrease in capex. In this way the distributor will receive a net reward for implementing the non-network alternative.<sup>170</sup> This is because the rewards and penalties under the EBSS and CESS are balanced and symmetric. In the past where the EBSS operated without a CESS, we excluded expenditure on non-network alternatives when calculating rewards and penalties under the scheme. This was because a distributor may otherwise receive a penalty for increasing opex without a corresponding reward for decreasing capex.<sup>171</sup>

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<sup>168</sup> NER, clause 6.5.8(c)(4).

<sup>169</sup> NER, clause 6.5.8(c)(5).

<sup>170</sup> When the distributor spends more on opex it receives a 30 per cent penalty under the EBSS. However, when there is a corresponding decrease in capex the distributor receives a 30 per cent reward under the CESS. So where the decrease in capex is larger than the increase in opex the distributor receives a larger reward than penalty, a net reward.

<sup>171</sup> Without a CESS the reward for capex declines over the regulatory period. If an increase in opex corresponded with a decrease in capex, the off-setting benefit of the decrease in capex depends on the year in which it occurs.

### 3.3 Capital expenditure sharing scheme

The CESS provides financial rewards for distributors whose capex becomes more efficient and financial penalties for those that become less efficient. Consumers benefit from improved efficiency through lower regulated prices. This section sets out our preliminary position and reasons for how we intend to apply the CESS to TasNetworks in the next regulatory control period.

The CESS approximates efficiency gains and efficiency losses by calculating the difference between forecast and actual capex. It shares these gains or losses between a distributor and network users.

The CESS works as follows:

- We calculate the cumulative underspend or overspend for the current regulatory control period in net present value terms.
- We apply the sharing ratio of 30 per cent to the cumulative underspend or overspend to work out what the distributor's share of the underspend or overspend should be.
- We calculate the CESS payments taking into account the financing benefit or cost to the distributor of the underspends or overspends.<sup>172</sup> We can also make further adjustments to account for deferral of capex and ex post exclusions of capex from the RAB.
- The CESS payments will be added to or subtracted from the distributor's regulated revenue as a separate building block in the next regulatory control period.

Under the CESS a distributor retains 30 per cent of an underspend or overspend, while consumers retain 70 per cent of the underspend or overspend. This means that for a one dollar saving in capex the distributor keeps 30 cents of the benefit while consumers keep 70 cents of the benefit.

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<sup>172</sup> We calculate benefits as the benefits to the distributor of financing the underspend since the amount of the underspend can be put to some other income generating use during the period. Losses are similarly calculated as the financing cost to the distributor of the overspend.

### 3.3.1 AER's preliminary position

Our preliminary position is to apply the CESS, as set out in our capex incentives guideline,<sup>173</sup> to TasNetworks in the next regulatory control period.

### 3.3.2 AER's assessment approach

In deciding whether to apply a CESS to a distributor, and the nature and details of any CESS to apply to a distributor, we must:<sup>174</sup>

- make that decision in a manner that contributes to the capex incentive objective<sup>175</sup>
- consider the CESS principles,<sup>176</sup> capex objectives,<sup>177</sup> other incentive schemes, and where relevant the opex objectives, as they apply to the particular distributor, and the circumstances of the distributor.

Broadly speaking, the capex incentive objective is to ensure that only capex that meets the capex criteria enters the RAB used to set prices. Therefore, consumers only fund capex that is efficient and prudent.

### 3.3.3 Reasons for AER's preliminary position

The Consumer Challenge Panel submitted that we should comment on whether the CESS would be applied to TasNetworks.<sup>178</sup>

We propose to apply the CESS to TasNetworks in the next regulatory control period as we consider this will contribute to the capex incentive objective.

TasNetworks is not currently subject to a CESS. As part of our Better Regulation program we consulted on and published version 1 of the capex incentives guideline which sets out the CESS.<sup>179</sup> The guideline specifies that in most circumstances we will apply a CESS, in conjunction with forecast depreciation to roll-

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<sup>173</sup> AER, *Capital expenditure incentive guideline for electricity network service providers*, pp. 5–9.

<sup>174</sup> NER, clause 6.5.8A(e).

<sup>175</sup> NER, clause 6.4A(a); the capex criteria are set out in clause 6.5.7(c) of the NER.

<sup>176</sup> NER, clause 6.5.8A(c).

<sup>177</sup> NER, clause 6.5.7(a).

<sup>178</sup> Consumer Challenge Panel - Sub Panel CCP4, Submission, 10 March 2015.

<sup>179</sup> AER, *Capital expenditure incentive guideline for electricity network service providers*, pp. 5–9.

forward the RAB.<sup>180</sup> We are also proposing to apply forecast depreciation, which we discuss further in attachment 5.

In developing the CESS we took into account the capex incentive objective, capex criteria, capex objectives, and the CESS principles. We also developed the CESS to work alongside other incentive schemes that apply to distributors including the EBSS, STPIS, and DMIS—which TasNetworks will be subject to in the next regulatory control period.

For capex, the sharing of underspends and overspends happens at the end of each regulatory period when we update a distributor's RAB to include new capex. If a distributor spends less than its approved forecast during a period, it will benefit within that period. Consumers benefit at the end of that period when the RAB is updated to include less capex compared to if the business had spent the full amount of the capex forecast. This leads to lower prices in the future.

Without a CESS the incentive for a distributor to spend less than its forecast capex declines throughout the period.<sup>181</sup> Because of this a distributor may choose to spend capex earlier, or spend on capex when it may otherwise have spent on opex, or less on capex at the expense of service quality—even if it may not be efficient to do so.

With the CESS a distributor faces the same reward and penalty in each year of a regulatory control period for capex underspends or overspends. The CESS will provide a distributor with an ex ante incentive to spend only efficient capex. A distributor that makes an efficiency gain will be rewarded through the CESS. Conversely, a distributor that makes an efficiency losses will be penalised through the CESS. In this way, a distributor will be more likely to incur only efficient capex when subject to a CESS, so any capex included in the RAB is more likely to reflect the capex criteria. In particular, if a distributor is subject to the CESS, its capex is more likely to be efficient and to reflect the costs of a prudent distributor.

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<sup>180</sup> AER, *Capital expenditure incentive guideline for electricity network service providers*, pp. 10–12.

<sup>181</sup> As the end of the regulatory period approaches, the time available for the distributor to retain any savings gets shorter. So the earlier a distributor incurs an underspend in the regulatory period, the greater its reward will be.

When the CESS, EBSS and STPIS apply to a distributor then incentives for opex, capex and service performance are balanced. This encourages a distributor to make efficient decisions on when and what type of expenditure to incur, and to balance expenditure efficiencies with service quality.

### 3.4 Demand management incentive scheme

This section sets out our preliminary approach and reasons for applying a demand management incentive scheme (DMIS) to TasNetworks in the next regulatory control period.<sup>182</sup>

The usage patterns of geographically dispersed consumers determine how electrical power flows through a distribution network. Since consumers use energy in different ways, different network elements reach maximum utilisation levels at different times. Distributors have historically planned their network investment to provide sufficient capacity for these situations. As peak demand periods are typically brief and infrequent, network infrastructure often operates with significant redundant capacity.

This underutilisation means that augmentation of network capacity may not always be the most efficient means of catering for increasing peak demand. Demand management refers to any effort by a distributor to lower or shift the demand for standard control services.<sup>183</sup> Demand management that effectively reduces network utilisation during peak usage periods can be an economically efficient way of deferring the need for network augmentation.

The rules require us to develop and implement mechanisms to incentivise distributors to consider economically efficient alternatives to building more network.<sup>184</sup> To meet this requirement, and motivated by the need to improve TasNetworks' capability in the demand management area, we implemented a DMIS in our distribution determination for the current regulatory period.

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<sup>182</sup> The rules have since changed the name to 'Demand Management and Embedded Generation Connection Incentive Scheme' (DMEGCIS) to explicitly cover innovation with respect to the connection of embedded generation. Our current and proposed DMIS include embedded generation. We consider embedded generation to be one means of demand management, as it typically decreases demand for power drawn from a distribution network.

<sup>183</sup> For example, agreements between distributors and consumers to switch off loads at certain times and the connection of small-scale 'embedded' generation reducing the demand for power drawn from the distribution network.

<sup>184</sup> NER, clause 6.6.3(a).

The current DMIS applying to TasNetworks provides for a demand management innovation allowance (DMIA) to be incorporated into TasNetworks' revenue allowance for each year of the regulatory control period. TasNetworks prepares an annual report on their expenditure under the DMIA<sup>185</sup> in the previous year, which we then assess against specific criteria.

DMIS previously applying in other jurisdictions also compensate a distributor for any foregone revenue demonstrated to have resulted from demand management initiatives approved for a distributor under a weighted average price cap. Compensation for foregone revenue is not applied where a distributor is subject to a revenue cap rather than a price cap.

Currently only the DMIA (Part A of the scheme) applies to TasNetworks because in the current regulatory control period it is subject to a revenue cap form of control. As a revenue cap is expected to apply in the next regulatory control period, compensation for foregone revenue will not be relevant to TasNetworks in the next regulatory control period.

### 3.4.1 AER's preliminary position

Our preliminary position is to continue applying the DMIS to TasNetworks in the next regulatory control period.

The Consumer Challenge Panel commented on the application of the DMIS across the NEM referring to issues of consistency of allowances and coordination of approaches supporting demand management.<sup>186</sup>

We acknowledge the need to reform the existing demand management incentive arrangements. The AEMC is currently consulting on rule change requests from the Total Environment Centre (TEC) and the Council of Australian Governments' Energy Council (COAG Energy Council) regarding reform of the DMIS under Chapter 6 of the NER.<sup>187</sup> The requests are in response to recommendations made by the AEMC in its

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<sup>185</sup> The DMIA excludes the costs of demand management initiatives approved in our determination for the 2012–17 period.

<sup>186</sup> Consumer Challenge Panel - Sub Panel CCP4, Submission, 10 March 2015.

<sup>187</sup> AEMC, *Consultation paper, National Electricity Amendment (Demand Management Incentive Scheme) Rule 2015*, 19 February 2015.

Power of Choice review.<sup>188</sup> We intend to develop and implement a new DMIS during the next regulatory control period, depending on the progress of the rule change process.

### 3.4.2 AER's assessment approach

The rules require us to have regard to several factors in developing and implementing a DMIS for TasNetworks.<sup>189</sup> These are:

- Benefits to consumers
  - the need to ensure that benefits to electricity consumers likely to result from the scheme are sufficient to warrant any reward or penalty under the scheme
  - the willingness of customers to pay for increases in costs resulting from implementing a DMIS.
- Balanced incentives
  - the effect of a particular control mechanism (that is, price as distinct from revenue regulation) on a distributor's incentives to adopt or implement efficient non-network alternatives
  - the effect of classification of services on a distributor's incentive to adopt or implement efficient embedded generator connections
  - the extent the distributor is able to offer efficient pricing structures
  - the possible interactions between a DMIS and the other incentive schemes.

### 3.4.3 Reasons for AER's preliminary position

This section outlines the reasons for our preliminary position to apply the DMIS to TasNetworks in the next regulatory control period.

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<sup>188</sup> AEMC, *Final report, Power of choice review – giving consumers' choice in the way they use electricity*, 30 November 2012.

<sup>189</sup> NER, clause 6.6.3(b).

## Benefits to consumers

Customers ultimately fund the DMIA adjustment to a distributor's annual revenue each year. As such, we are mindful of the potential impact of the DMIS on consumers. Under the rules, we must consider customers' willingness to pay for any higher costs resulting from the scheme so benefits to consumers are sufficient to warrant any penalty or reward.<sup>190</sup>

We assess projects for which distributors apply for DMIA funding under a specific set of criteria. The DMIA aims to enhance a distributor's knowledge and experience with non-network alternatives, therefore improving the consideration of demand management in future decision making. This means the benefits of any higher consumer prices directly caused by the scheme may not be revealed until later periods. Benefits include more efficient utilisation of existing network infrastructure and the deferral of network augmentation expenditure.

We expect the potential long-term efficiency gains resulting from improved distributor capability to undertake demand management initiatives to outweigh short-term price increases. Price impacts will be minimal as adjustments to annual revenue under the DMIA are capped at modest levels and allowances are provided on a 'use it or lose it' basis.

While studies<sup>191</sup> indicate that customers are supportive of demand management initiatives in principle, we know little about their willingness to pay. We consider our proposed application of the DMIS to be suitable in light of this limited information, given that the modest level of the DMIA means potential price increases will be minimal.

## Balanced incentives

We administer our incentive schemes within a regulatory control period to align distributor incentives with the National Electricity Objective. In implementing the DMIS, we need to be aware of how the scheme interacts within a distributor's overall incentive environment.

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<sup>190</sup> NER, clause 6.6.3(b)(1).

<sup>191</sup> For example, Oakley Greenwood, *Valuing reliability in the national electricity market, final report*, March 2011. This report was prepared for AEMO.



### *Control mechanism and service classification*

The rules require us to have regard for how a distributor's control mechanism influences its incentives to adopt or implement efficient non-network alternatives to network augmentation.<sup>192</sup> We consider that a revenue cap form of control does not provide a disincentive for TasNetworks to reduce the quantity of electricity as approved regulated revenues are not dependent on the quantity of electricity sold. That is, under a form of control where revenue is at least partially dependent on the quantity of electricity sold (for example, a price cap), a successful demand management program that causes a reduction in demand may result in less revenue for a distributor. A revenue cap avoids this.

We are also required to consider the effect of service classification on a distributor's incentive to adopt or implement efficient embedded generator connections.<sup>193</sup> We consider our proposed application of the DMIS meets this requirement as TasNetworks' standard control services will be under a revenue cap in the next regulatory control period.

### *Distributor's ability to offer efficient pricing structures*

The rules also require us to consider the extent to which the distributor is able to offer efficient pricing structures in our design and implementation of a DMIS.<sup>194</sup> Efficient pricing structures reflect the true costs of supplying electricity at a particular part of the network at any given time. These tariff structures would price electricity highest during peak demand periods, reflecting the high costs of transporting energy when a network utilisation is at its highest. This price signal would discourage grid electricity usage at these times, lowering peak demand and adjusting network utilisation downwards.

The DMIA incentivises a distributor to trial measures that will assist the transition of networks to more efficient pricing. TasNetworks states that it structures its network tariffs to signal the impact customers have on the distribution network, manage demand and volume variance risk, and avoid sending signals that could result in inefficient choices being made by customers.<sup>195</sup> We note that the NER require distributors to

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<sup>192</sup> NER, clause 6.6.3(b)(2).

<sup>193</sup> NER, clause 6.6.3(b)(6).

<sup>194</sup> NER, clause 6.6.3(b)(3).

<sup>195</sup> Aurora Energy, *Pricing Proposal, 1 July 2014 - 30 June 2015*, April 2014.

develop efficient tariff structures consistent with the pricing principles for direct control services set out in the rules.<sup>196</sup>

### *Interaction with our other incentive schemes*

The DMIA intends to encourage businesses to investigate and implement innovative demand management strategies, regardless of their potential efficiency. In developing and implementing the DMIS in Tasmania, we must consider how it could potentially interact with our other incentive schemes.<sup>197</sup> Neither our expenditure incentive schemes (EBSS and CESS) nor STPIS intend to discourage a distributor from using its DMIA allowance.

While a distributor's annual opex allowance incorporates the DMIA allowances, we may exclude the DMIA from the EBSS.<sup>198</sup> Any potential substitution between opex and capex resulting from projects approved under the DMIA will be incentive-neutral as our proposed EBSS and CESS provide balanced incentives for opex and capex savings.

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<sup>196</sup> NER, clause 6.18.1A. NER, clause 6.18.5.

<sup>197</sup> NER, clause 6.6.3(b)(4).

<sup>198</sup> Under the EBSS we can exclude any categories of opex not forecast using a single year revealed cost approach where it would better achieve the requirements (of the EBSS) under cl. 6.5.8 of the NER. DMIA projects are excluded from forecast opex so not considered to be forecast using a single year revealed cost approach. AER, *Efficiency Benefit Sharing Scheme for Electricity Network Service Providers*, 29 November 2013.

## 4 Expenditure forecast assessment guideline

This attachment sets out our intention to apply our expenditure assessment guideline<sup>199</sup> including the information requirements to TasNetworks for the 2017–22 regulatory control period. We propose applying the guideline as it sets out our new expenditure assessment approach developed and consulted upon during the Better Regulation program. The expenditure forecast assessment guideline outlines for the distributor and interested stakeholders the types of assessments we will do to determine efficient expenditure allowances, and the information we require from the distributor to do so.

We were required to develop the guideline under the rules.<sup>200</sup> The expenditure assessment guideline is based on a nationally consistent reporting framework allowing us to compare the relative efficiencies of distributors and decide on efficient expenditure allowances. The rules require TasNetworks to advise us by 30 June 2015 of the methodology it proposes to use to prepare forecasts.<sup>201</sup> In the F&A we must advise whether we will deviate from the guideline.<sup>202</sup> This will provide clarity to TasNetworks on how we will apply the guideline and the information they should include in their regulatory proposals.

The expenditure assessment guideline contains a suite of assessment/analytical tools and techniques to assist our review of regulatory proposals by network service providers. We intend to apply all the assessment tools set out in the guideline. The tool kit consists of:

- models for assessing proposed replacement and augmentation capex
- benchmarking (including broad economic techniques and more specific analysis of expenditure categories)
- methodology, governance and policy reviews
- predictive modelling and trend analysis

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<sup>199</sup> We published this guideline on 29 November 2013. It can be located at [www.aer.gov.au/node/18864](http://www.aer.gov.au/node/18864).

<sup>200</sup> NER, clauses 6.4.5, 6A.5.6, 11.53.4 and 11.54.4.

<sup>201</sup> NER, clauses 6.8.1A(b)(1) and 11.60.3(c).

<sup>202</sup> NER, clause 6.8.1(b)(2)(viii).

- cost benefit analysis and detailed project reviews.<sup>203</sup>

We developed the guideline to apply broadly to all electricity transmission and distribution businesses. However, some customisation of the data requirements contained in the expenditure assessment guideline might be required. This is particularly in regard to services that we classify in different ways and are subject to different forms of control. For example, nationally consistent data for benchmarking and trend assessment of public lighting costs may not be sufficient to scrutinise the particular pricing models employed by particular distributors. The guideline itself does not explicitly require these distributors to submit or justify inputs to these models and we may request specific data to assist us with analysis. We expect that these data customisation issues would be addressed through the Regulatory Information Notice that we will issue to TasNetworks for the next regulatory control period. This will occur after we have finalised our decisions on classification and form of control.

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<sup>203</sup> AER, *Explanatory statement: Expenditure assessment guideline for electricity transmission and distribution*, 29 November 2013.

## 5 Depreciation

As part of the roll forward methodology, when the RAB is updated from forecast capex to actual capex at the end of a regulatory control period, it is also adjusted for depreciation. This attachment sets out our preliminary approach to calculating depreciation when the RAB is rolled forward to the commencement of the 2022–27 regulatory control period.

The depreciation we use to roll forward the RAB can be based on either:

- Actual capex incurred during the regulatory control period (actual depreciation). We roll forward the RAB based on actual capex less the depreciation on the actual capex incurred by the distributor; or
- The capex allowance forecast at the start of the regulatory control period (forecast depreciation). We roll forward the RAB based on actual capex less the depreciation on the forecast capex approved for the regulatory control period.

The choice of depreciation approach is one part of the overall capex incentive framework.

Consumers benefit from improved efficiencies through lower regulated prices. Where a CESS is applied, using forecast depreciation maintains the incentives for distributors to pursue capex efficiencies, whereas using actual depreciation would increase these incentives. There is more information on depreciation as part of the overall capex incentive framework in our capex incentives guideline.<sup>204</sup> In summary:

- If there is a capex overspend, actual depreciation will be higher than forecast depreciation. This means that the RAB will increase by a lesser amount than if forecast depreciation were used. So, the distributor will earn less revenue into the future (i.e. it will bear more of the cost of the overspend into the future) than if forecast depreciation had been used to roll forward the RAB.
- If there is a capex underspend, actual depreciation will be lower than forecast depreciation. This means that the RAB will increase by a greater amount than if forecast depreciation were used. Hence, the distributor will earn greater revenue into the future (i.e. it will retain more of the benefit of an underspend into the future) than if forecast depreciation had been used to roll forward the RAB.

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<sup>204</sup> AER, *Capital expenditure incentive guideline for electricity network service providers*, pp. 10–12.

The incentive from using actual depreciation to roll forward the RAB also varies with the life of the asset. Using actual depreciation will provide a stronger incentive for shorter lived assets compared to longer lived assets. Forecast depreciation, on the other hand, leads to the same incentive for all assets.

## 5.1 AER's preliminary position

Our preliminary position is to use the forecast depreciation approach to establish the RAB at the commencement of the 2022–27 regulatory control period for TasNetworks. We consider this approach will provide sufficient incentives for TasNetworks to achieve capex efficiency gains over the 2017–22 regulatory control period.

## 5.2 AER's assessment approach

We must decide for our determination whether we will use actual or forecast depreciation to establish a distributor's RAB at the commencement of the following regulatory control period.<sup>205</sup>

We are required to set out in our capex incentives guideline our process for determining which form of depreciation we propose to use in the RAB roll forward process.<sup>206</sup> Our decision on whether to use actual or forecast depreciation must be consistent with the capex incentive objective. We must have regard to:<sup>207</sup>

- any other incentives the service provider has to undertake efficient capex
- substitution possibilities between assets with different lives
- the extent of overspending and inefficient overspending relative to the allowed forecast
- the capex incentive guideline
- the capital expenditure factors.

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<sup>205</sup> NER, clause S6.2.2B.

<sup>206</sup> NER, clause 6.4A(b)(3).

<sup>207</sup> NER, clause S6.2.2B.

### 5.3 Reasons for AER's preliminary position

Consistent with our capex incentives guideline, we propose to use the forecast depreciation approach to establish the RAB at the commencement of the 2022–27 regulatory control period.

We had regard to the relevant factors in the rules in developing the approach to choosing depreciation set out in our capex incentives guideline.<sup>208</sup>

Our approach is to apply forecast depreciation except where:

- there is no CESS in place and therefore the power of the capex incentive may need to be strengthened, or
- a distributor's past capex performance demonstrates evidence of persistent overspending or inefficiency, thus requiring a higher powered incentive.

In making our decision on whether to use actual depreciation in either of these circumstances we will consider:

- the substitutability between capex and opex and the balance of incentives between these
- the balance of incentives with service
- the substitutability of assets of different asset lives.

We have chosen forecast depreciation as our default approach because, in combination with the CESS, it will provide a 30 per cent reward for capex underspends and 30 per cent penalty for capex overspends, which is consistent for all asset classes. In developing our capex incentives guideline, we considered this to be a sufficient incentive for a distributor to achieve efficiency gains over the regulatory control period in most circumstances.<sup>209</sup>

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<sup>208</sup> AER, *Capital expenditure incentive guideline for electricity network service providers*, pp. 10–12.

<sup>209</sup> As noted in section 5.2. of this paper, the length of the regulatory control period has implications for the rewards and penalties available under incentive schemes.

The opening RAB for the 2017–22 period will be established using actual depreciation, as stated in our previous determination that applies to TasNetworks for the 2012–17 period. The use of forecast depreciation to establish the opening RAB for the 2022–27 period will therefore represent a change of approach. TasNetworks is not currently subject to a CESS but we propose to apply the CESS in the next regulatory control period. We discussed this in section 3.3.

For TasNetworks, at this stage, we consider the incentive provided by the application of the CESS in combination with the use of forecast depreciation and our other ex post capex measures should be sufficient to achieve the capex incentive objective.<sup>210</sup> Therefore, we do not see the need to apply actual depreciation at this time.

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<sup>210</sup> Our ex post capex measures are set out in the capex incentives guideline, AER *capex incentives guideline*, pp. 13–19; the guideline also sets out how all our capex incentive measures are consistent with the capex incentive objective, AER *capex incentives guideline*, pp. 20–21.



## 6 Jurisdictional and legacy issues

The rules do not limit the matters distributors may request the AER to amend in an F&A.<sup>211</sup> Similarly, we may make an F&A that extends beyond the matters specifically listed in the rules.<sup>212</sup> This attachment sets out our preliminary position on dual function assets and TasNetworks' regulatory control period.

### 6.1 Dual function assets

Dual-function assets are high voltage transmission assets forming part of the distribution network. Transmission network service providers usually operate these assets. Considering transmission assets as part of a distribution determination avoids the need for a separate transmission proposal. Where a network service provider owns, controls or operates dual-function assets, we are required to consider whether we should price these assets according to the transmission or distribution pricing principles.

TasNetworks does not currently own, control or operate any dual-function assets, nor did it own, control or operate any dual function assets at the time of the last determination. Therefore, our preliminary position is that we are not required to, and will not; make any determination under the rules regarding dual-function assets.<sup>213</sup>

### 6.2 Regulatory control period

TasNetworks is proposing to align the regulatory control periods of its distribution and transmission businesses through implementation of a two year regulatory control period for its distribution business instead of the five year period currently required by the rules.<sup>214</sup> TasNetworks has proposed a rule change to allow a two year regulatory control period commencing on 1 July 2017 and ending on 30 June 2019 for its distribution business.<sup>215</sup>

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<sup>211</sup> NER, clause 6.8.1(c)(1).

<sup>212</sup> NER, clause 6.8.1(g).

<sup>213</sup> NER, clauses 6.8.1(b)(1)(ii) and 6.25(b).

<sup>214</sup> NER, clause 6.3.2(b).

<sup>215</sup> See <http://www.aemc.gov.au/Rule-Changes/Aligning-TasNetworks'-Regulatory-Control-Periods>.

The AEMC is assessing this request as a non-controversial rule under its expedited rule making process and, subject to any submissions objecting to an expedited process, will publish a final rule determination by 9 April 2015. The AEMC has canvassed other options to align the regulatory control periods of TasNetworks' distribution and transmission businesses. These involve setting a three year regulatory control period for its transmission business or a seven year regulatory control period for its distribution business.

The length of TasNetworks' regulatory control period will impact on the application of our incentives schemes and future processes regarding the F&A.

The length of the regulatory control period has implications for the strength of incentives for efficient expenditure over the period, with shorter periods tending to lessen incentives for efficient expenditure. Also our incentive schemes for operating (EBSS) and capital (CESS) expenditure are designed to operate over a five-year period with the length of the period impacting on the proportion of efficiency gains and losses that is shared between a distributor and its customers.

A two year regulatory control period commencing on 1 July 2017 and ending on 30 June 2019 would result in the F&A consultation process for the 2019-24 regulatory control period commencing in November 2016, before our final determination in April 2017 for the 2017-19 regulatory control period. Therefore the next F&A consultation process would commence sixteen months after this current F&A process concludes, and prior to implementation of the 2017 determination applying the new F&A.

The AER has not objected to TasNetworks' rule change request. Subject to the outcome of this request we will consider the impact of a shorter regulatory control period for the operation of our incentive schemes, the next F&A process and any other relevant matters.

## Appendix A: Rule requirements for classification

We must have regard to four factors when classifying distribution services.<sup>216</sup>

1. the form of regulation factors in section 2F of the NEL:

- the presence and extent of any barriers to entry in a market for electricity network services
- the presence and extent of any network externalities (that is, interdependencies) between an electricity network service provided by a network service provider and any other electricity network service provided by the network service provider
- the presence and extent of any network externalities (that is, interdependencies) between an electricity network service provided by a network service provider and any other service provided by the network service provider in any other market
- the extent to which any market power possessed by a network service provider is, or is likely to be, mitigated by any countervailing market power possessed by a network service user or prospective network service user
- the presence and extent of any substitute, and the elasticity of demand, in a market for an electricity network service in which a network service provider provides that service
- the presence and extent of any substitute for, and the elasticity of demand in a market for, electricity or gas (as the case may be)
- the extent to which there is information available to a prospective network service user or network service user, and whether that information is adequate, to enable the prospective network service user or network service user to negotiate on an informed basis with a network service provider for the provision of an electricity network service to them by the network service provider.<sup>217</sup>

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<sup>216</sup> NEL, clause 6.2.1(c).

<sup>217</sup> NEL, s. 2F.

2. the form of regulation (if any) previously applicable to the relevant service or services, and, in particular, any previous classification under the present system of classification or under the present regulatory system (as the case requires)<sup>218</sup>
3. the desirability of consistency in the form of regulation for similar services (both within and beyond the relevant jurisdiction)<sup>219</sup>
4. any other relevant factor.<sup>220</sup>

The rules specify additional requirements for services we have regulated before.<sup>221</sup> They are:

1. There should be no departure from a previous classification (if the services have been previously classified); and
2. If there has been no previous classification - the classification should be consistent with the previously applicable regulatory approach.

We must have regard to six factors when classifying direct control services as either standard control or alternative control services.<sup>222</sup>

1. the potential for development of competition in the relevant market and how the classification might influence that potential
2. the possible effects of the classification on administrative costs of us, the distributor and users or potential users
3. the regulatory approach (if any) applicable to the relevant service immediately before the commencement of the distribution determination for which the classification is made
4. the desirability of a consistent regulatory approach to similar services (both within and beyond the relevant jurisdiction)

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<sup>218</sup> NER, clause 6.2.1(c)(2).

<sup>219</sup> NER, clause 6.2.1(c)(3).

<sup>220</sup> NER, clause 6.2.1(c).

<sup>221</sup> NER, clause 6.2.1(d).

<sup>222</sup> NER, clause 6.2.2(c).

5. the extent that costs of providing the relevant service are directly attributable to the customer to whom the service is provided, and
6. any other relevant factor.<sup>223</sup>

In classifying direct control services that have previously been subject to regulation under the present or earlier legislation, we must also follow the requirements of clause 6.2.2(d) of the rules.

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<sup>223</sup> NER, clause 6.2.2(c).

## Appendix B – Classification of Tasmanian electricity distribution services

Service group	AER's proposed classification 2017-22	Current classification 2012-17
<b>AER service group—network services</b>		
Planning the distribution network	Standard control	Standard control
Designing the distribution network	Standard control	Standard control
Constructing the distribution network	Standard control	Standard control
Maintaining the distribution network and connection assets	Standard control	Standard control
Operating the distribution network and connection assets for DNSP purposes	Standard control	Standard control
Administrative support (call centre, network billing, etc)	Standard control	Standard control
Emergency response	Standard control	Standard control
Emergency response - Emergency recoverable works	Unclassified	Standard control

Service group	AER's proposed classification 2017-22	Current classification 2012-17
<b>AER service group—connection services</b>		
Standard connection services	Standard control	Standard control
Connections requiring augmentation	Standard control	Standard control
<b>AER service group—metering services</b>		
Standard metering services for type 5-7 meters	Alternative control	Alternative control
Special meter readings and meter testing of type 5-7 meters	Alternative control	Alternative control
PAYG metering services provided by Aurora Retail	Unclassified	Unclassified
<b>AER service group—public lighting services</b>		
Repair, replacement and maintenance of public lighting	Alternative control	Alternative control
Provision of new public lighting assets	Alternative control	Alternative control
New public lighting technology services	Negotiated	Negotiated

Service group	AER's proposed classification 2017-22	Current classification 2012-17
<b>AER service group—ancillary services</b>		
Energisation, de-energisation and re-energisation (includes disconnections and reconnections)	Alternative control (fee based)	Alternative control (fee based)
Meter alteration (adding and altering circuits)	Alternative control (fee based)	Alternative control (fee based)
Meter testing (including for single phase, three phase and current transformer meters)	Alternative control (fee based)	Alternative control (fee based)
Removal of meters and service connection	Alternative control (fee based)	Alternative control (fee based)
Renewable energy connection – including installation of import/export metering equipment	Alternative control (fee based)	Alternative control (fee based)
Temporary connections	Alternative control (fee based)	Alternative control (fee based)
Disconnect service connection	Alternative control (fee based)	Alternative control (fee based)
Truck tee up	Alternative control (fee based)	Alternative control (fee based)
Open turret or cabinet for electrical contractor	Alternative control (fee based)	Alternative control (fee based)



Service group	AER's proposed classification 2017–22	Current classification 2012–17
<b>AER service group—ancillary services</b>		
Moving mains, services or meters forming part of the network to accommodate extension, redesign or redevelopment of any premises	Alternative control (quoted)	Alternative control (quoted)
The provision of electric plant for the specific provision of top-up or stand-by supplies of electricity	Alternative control (quoted)	Alternative control (quoted)
Temporary supply	Alternative control (quoted)	Alternative control (quoted)
Reserve or duplicate supply	Alternative control (quoted)	Alternative control (quoted)
Network services and system augmentation required to receive energy from an embedded generator	Alternative control (quoted)	Alternative control (quoted)
Alteration and relocation of existing public lighting assets	Alternative control (quoted)	Alternative control (quoted)

## Appendix C: Shortened forms

Shortened Form	Extended Form
AEMC	Australian Energy Market Commission
AER	Australian Energy Regulator
capex	capital expenditure
CESS	capital expenditure sharing scheme
CPI	consumer price index
CPI-X	consumer price index minus X
current regulatory control period	1 July 2012 to 30 June 2017
DMIA	demand management innovation allowance
DMIS	demand management incentive scheme
distributor	distribution network service provider
DUOS	distribution use of system
EBSS	efficiency benefit sharing scheme
expenditure assessment guideline	expenditure forecast assessment guideline for electricity distribution
GSL	guaranteed service level
F&A	Framework and approach
kWh	kilowatt hours

MAR maximum allowable revenue

NECF National Energy Customer Framework

NEM National Electricity Market

NEO National Electricity Objective

NER or the rules National Electricity Rules

next regulatory control period 1 July 2017 to 30 June 2022

NUOS network use of system

NSW New South Wales

opex operating expenditure

RAB regulatory asset base

ROLR retailer of last resort

SAIDI system average interruption duration index

SAIFI system average interruption frequency index

SCER Standing Council on Energy and Resources

STPIS service target performance incentive scheme

Tas Tasmania

WAPC weighted average price cap

5 May 2015

Mr Chris Pattas  
General Manager, Networks  
Australian Energy Regulator  
GPO Box 520  
MELBOURNE VIC 3000

Dear Mr Pattas

**RE: Councils submission regarding the AER's framework and approach to the determination of TasNetworks' future revenues and prices**

Thank you for the opportunity to comment on the Australian Energy Regulator's (AER) proposed Framework and Approach for TasNetworks' next Regulatory Control Period.

Meander Valley Council has a particular interest in two matters, these being

- the classification of public lighting services, as the current treatment of public lighting as an alternative control service restricts the Council's ability to explore alternative models of ownership and means of service provision;
- the Service Target Performance Incentive e Scheme (STPIS) applying to TasNetworks

#### Public Lighting

Council notes that in its preliminary position on the replacement framework and approach for TasNetworks, the AER is seeking stakeholder comment on the classification of all public lighting services as negotiated services, rather than alternative control services as proposed. It is the Council's view, however, that rather than classify public lighting services as negotiated services (or alternative control services), it would be preferable for public lighting services to be unregulated (unclassified), so that prices and service standards can be set by a market.

The reasons for the Council's thinking on this matter are as follows:

Firstly, the fundamental conditions already exist for competition to emerge in the provision of public lighting. There are currently no legislative or regulatory requirements that street lighting be mounted exclusively on TasNetworks' poles. Nor does TasNetworks have a legislated monopoly over the provision of public lighting services.

Public lighting services mounted on assets not owned by TasNetworks are already contestable and the percentage of public lighting support structures actually owned by TasNetworks is declining over time, as more of the shared distribution network is undergrounded, particularly in new subdivisions.

And while there are safety restrictions on the qualifications of any technicians who work on or near TasNetworks infrastructure, parties other than TasNetworks are already mounting infrastructure on TasNetworks' poles, such as the aerial cables being installed as part of the National Broadband Network (NBN) rollout.

However, the regulation of public lighting is a regulatory barrier to entry that, if continued, may prevent TasNetworks from opening up access to its poles to other service providers in order that competition might develop.

With cost-effective access to TasNetworks' poles, public lighting customers would be free to pursue alternative service arrangements, including undertaking the provision, maintenance and operation of public lighting services ownership themselves. For TasNetworks to continue providing public lighting services, it would have to offer its services at prices that are comparable with those of its competitors, whether they be public lighting customers themselves or third party providers.

Some parts of the Tasmanian public lighting market are already competitive, and the prices charged by TasNetworks for new lighting technologies are being set outside of the AER's pricing determination process. New technologies are likely to make up an increasing component of the installed base of public lighting, such is the pace of development, and the market conditions which once might have justified regulating the prices of the existing public lighting fleet are disappearing.

Classifying all public lighting as Unregulated Services will enable efficient choices to be made by customers with regard to the lighting technology and the service providers they use. Therefore, Meander Valley Council supports TasNetworks' proposal for the reclassification of public lighting services as an Unregulated Service.

### Service Target Performance Incentive Scheme

The current STPIS sets the revenue at risk for TasNetworks at  $\pm 5$  per cent of its annual revenue. Based on an annual revenue requirement of around \$275 million, this amounts to a potential revenue swing between years of nearly \$30 million dollars.

When factored into TasNetworks' revenue allowances, this represents a potentially significant level of price volatility for customers connected to the network. Assuming that there are around 280 000 customers connected to the electricity network, a difference of \$30 million in TasNetworks' revenue between years translates into a potential variation in the networks costs recovered from each customer of nearly \$110, although for commercial customers like Meander Valley Council the impact would be far greater.

Energy represents a significant cost to Tasmanian homes and businesses, and at a time when many customers are seeking stable, predictable electricity pricing, this potential volatility in TasNetworks' revenue (and prices) makes budgeting for energy costs by end users difficult.

The problem is exacerbated by the absence of meaningful trend data, given that network reliability can vary considerably between years due to factors that are entirely unpredictable and beyond TasNetworks' control, such as the weather.

While Council understands that the purpose of the scheme is to discourage TasNetworks from pursuing cost efficiencies at the expense of service quality for customers, Council does not consider that reducing the amount of TasNetworks' revenue at risk to  $\pm 2.5$  per cent is likely to result in a deterioration in network reliability. TasNetworks is already incentivised to ensure that customers receive service levels which meet the standards set out in the Tasmanian Electricity Code, through the Guaranteed Service Level Scheme and customers who receive a level of service that falls short of the standards set out in TasNetworks' customer charter – which cover a range of services not covered by either STPIS or the GSL scheme, including connection services – are also entitled to financial compensation from TasNetworks.

An unexpected and unbudgeted variation in revenue of 10 per cent is a significant variation for any enterprise to manage, and most commercial entities would seek to avoid a variation of that magnitude if they could. That much of the risk to TasNetworks' revenue under the STPIS appears to be outside of its control means that putting  $\pm 5.0$  per cent of TasNetworks' revenue allowance at risk is unlikely to have a discernible impact on TasNetworks' asset management practices or the reliability of its network. However, it is quite likely to contribute to undesirable, and otherwise avoidable, price volatility for customers.

In the interests of providing more predictable pricing for customers, therefore, Meander Valley Council supports TasNetworks' proposal to reduce the revenue at risk to TasNetworks to  $\pm 2.5$  per cent of its annual smoothed revenue.

Once again thank you for the opportunity to provide comment on these issues.

Yours sincerely

Craig Perkins  
**MAYOR**

## **GOV 3 CUSTOMER SERVICE CHARTER**

### **1) Introduction**

The purpose of this report is for Council to review Council's Customer Service Charter.

### **2) Background**

Section 339F of the Local Government Act 1993 requires that Council has in place a Customer Service Charter and sub-section (4) stipulates that the Charter must be reviewed at least once every two years.

A Customer Service Charter adopted under Section 339F of the Act is to address the following matters:-

- The manner in which a complaint may be made;
- The manner in which a response to a complaint is to be made;
- Opportunities for a review of a response by the General Manager;
- The periods within which complaints are to be dealt with;
- Other actions that may be taken if a complainant is dissatisfied by the response;
- Reporting of the complaints received.

### **3) Strategic/Annual Plan Conformance**

The Annual Plan requires the Customer Service Charter to be reviewed by the June 2015 quarter.

### **4) Policy Implications**

Not Applicable

### **5) Statutory Requirements**

Section 339F of the Local Government Act 1993 and Regulation 30 of the Local Government (General) Regulations.

### **6) Risk Management**

Not Applicable

### **7) Consultation with State Government and other Authorities**

Not Applicable

## 8) Community Consultation

A requirement of the Act is that the Charter is made available for public inspection at the public office during ordinary office hours and be available on Council's web site.

## 9) Financial Impact

Not Applicable

## 10) Alternative Options

Council could elect to confirm the continuation of the current Charter.

## 11) Officers Comments

Council's Customer Service Charter was last reviewed in October 2012 and as previously mentioned the document must be reviewed at least once every two years.

The Charter has already been reviewed by Council's Customer Service Group at a meeting held on 19 March 2015 and a number of minor amendments have been made to the document.

The Charter is in compliance with the requirements of the Act. It outlines Council's commitment to customers in accordance with our Community Strategic Plan and provides a formalised process for making complaints.

**AUTHOR:** David Pyke  
DIRECTOR GOVERNANCE & COMMUNITY SERVICES

## 12) Recommendation

*It is recommended that Council adopt the revised Customer Service Charter as follows:*





## CUSTOMER SERVICE CHARTER

(S.339F *Local Government Act 1993*)

### CUSTOMER SERVICE CHARTER

Meander Valley Council is committed to providing quality services to its community. We are continually striving to improve our services through employee training, new technology and consultation. ~~We are also aiming to improve the way we work with the community.~~

This *Customer Service Charter* is in compliance with the requirements of Section 339F (4) of the *Local Government Act 1993* and outlines our commitment to customers in accordance with our Strategic Plan and provides a formalised process for making complaints. It outlines customers' rights, the standards customers can expect when dealing with Council and what a customer can do if dissatisfied with Council decisions or actions.

### OUR COMMITMENT TO CUSTOMER SERVICE

~~Meander Valley Council is~~ We are committed to the provision of timely, efficient, consistent and quality services provided by polite and helpful officers that meet our customer's expectations.

~~Meander Valley Council~~ We places great emphasis on the efficient handling of complaints. Our aim at all times is to provide a quality service. We may not be able to provide complete satisfaction but we will always strive for the best possible solution.

~~Meander Valley Council~~ We will endeavour to work towards increasing customer satisfaction and continuously improve our services by responding to customer complaints as efficiently and effectively as possible.

#### As part of our commitment to you, we will:

- Respect, listen and care for you and your concerns;
- Identify ourselves in all communication with you;
- Respect your privacy and confidentiality;
- Aim to communicate clearly and in plain language;
- Be positive and receptive to new ideas;
- Take a fair, balanced and long-term approach with our decisions;
- Provide relevant and up-to-date information relating to our services via our website and publications.

### WHO IS A CUSTOMER

A customer is any person or organisation having dealings with the ~~Meander Valley~~ Council.

## OUR SERVICE STANDARDS

### At all times we aim to:

- Treat customers courteously and with respect;
- Deal with customers in a polite and helpful manner;
- Listen to customers and take their views into account;
- Provide customers with necessary and relevant information;
- Treat customers fairly and take account of the customer's particular needs;
- Act on our commitments in a timely manner;
- Value customers privacy by treating all personal information confidentially;
- Be punctual for meetings and appointments;
- Provide Council ID if requested;
- Leave a "visit card" with our name and contact number following a visit to a customer's residence if that customer is absent at the time.

### When a customer visits or telephones the Council

We will attend the counter and answer the telephone promptly, courteously and deal with an enquiry directly without unnecessary referrals or transfers. If we cannot deal with the enquiry we will provide the customer with the name of the person the request or enquiry will be referred to or, if that information is not readily available, will request the relevant person to contact the customer directly. Telephone calls will be returned at the first opportunity however where information is not readily available verbal enquiries will be answered within 5 (five) working days.

### When a customer writes or emails

We will respond to all written requests or enquiries within ten (10) working days of receipt. Our response will be either in full, or as an acknowledgement outlining the name of the person handling the matter. Such acknowledgement may be by telephone or in writing as appropriate. All correspondence will be as prompt as possible, courteous and written in plain English.

## OUR EXPECTATIONS OF THE CUSTOMER

### To make our job easier in providing our services we ask customers to:

- Treat Council officers with respect;
- Respect the privacy, safety and needs of other members of the community;
- Provide accurate and complete details;
- Phone to make an appointment for a complex enquiry or a need to see a specific officer;
- Phone the officer nominated on correspondence sent to the customer and quoting the file number on the letter.

### Abusive Customers

Any interaction with members of the community where personal abuse or offensive language is used, the communication may be terminated immediately by the Officer. If face-to-face, the Officer **should will** walk away. If on a telephone, the Officer will terminate the call. If in email, the address may be blocked.

If an officer feels threatened by the language or behaviour of the customer, he/she may notify the Police and as soon as possible notify the General Manager.

There may be occasions when

- The issue(s) a person has cannot be dealt with to their satisfaction and it is not possible for Council officers to continue to respond; or
- Correspondence contains personal abuse or offensive language is used.

In these cases, the General Manager may decide to limit or cease responses to the person. A decision of this nature will be communicated in writing to the person.

## CUSTOMER SERVICE REQUEST SYSTEM

We have a Customer Service Request (CSR) System that records, monitors and reports on all requests we receive.

### What is a request?

- A request For service, for example garbage and recycling collection;
- A request For information or an explanation of a policy or procedure;
- Reports of damaged or faulty infrastructure;
- Reports about noise, dogs, nuisances, unauthorised building work or similar issues that fall into the regulatory aspect of our service;
- A request For Council to provide new infrastructure.

The request is logged into Council's Customer Request CSR System, assigned a priority and allocated to an Action Officer. We aim to achieve at least a 95% compliance standard, with our Customer Service Request System.

## COMPLAINTS

There are many various types of complaints, however, a formal complaint must be in writing.

### What is a formal complaint?

A formal complaint is a written expression of dissatisfaction with a decision (outside of a structured process), level or quality of service, or behaviour of an employee or agent, which can be investigated and acted upon.

A structured process is where legislation (Act, Regulation, Rule or By-law) specifically makes provision for an appeal, internal or external review of a decision.

Any Council officer having difficulty in determining a complaint as from a customer service request should will seek advice of the Departmental Director or General Manager.

### What is not a formal complaint?

Many of the issues raised with Council are called "complaints" because the customer is unhappy about the situation. However, they are simply issues dealt with by Council on a day-to-day basis, are not formal complaints and do not form part of the formal complaints management process.

Examples of matters that are not formal complaints are:

- A request for service (unless there was no response to a first request for a service);
- A request for information or an explanation of a policy or procedure;
- Disagreement with a Council policy;
- A request for review of a decision for which a structured process applies;
- An expression concerning the general direction or performance of the Council or Councillors;
- Reports of damaged or faulty infrastructure; and
- Reports about noise, dogs, nuisances, unauthorised building work or similar issues that fall into the regulatory aspect of Council's service.

## Complaints Management Process

The Director of each Department of the Council is responsible for handling complaints relevant to that Department.

While most issues can usually be resolved at an early stage, there are times when they require detailed investigation. If a complaint is of a very serious nature, or is a complaint about a Director, it will be referred to the General Manager.

Irrespective of the manner in which the complaint was received, a response to the complaint can be expected within twenty (20) working days. If a Councillor has submitted a complaint on a customer's behalf we will also try to respond to the Councillor within twenty (20) working days.

There are times when it is not possible to meet this deadline, eg. where a complaint is a complex one and Councillors are to be briefed on the outcome of the investigations. In these cases we will endeavour to keep the customer informed of progress.

### Type of Complaint

A complaint may be lodged verbally (by telephone or at the counter) and may be responded to verbally by phoning or by meeting with the Director, or a Senior Officer, of the relevant Department to discuss the complaint.

If the complaint relates to a complex matter or there is no resolution from discussing the matter with the relevant Director or Senior Officer, a statement should be made in writing by the customer setting out the complaint as simply as possible.

To assist Council in dealing with your a complaint, a customer should include the following if relevant:

- a) Date, times and location of events
- b) What happened
- c) To whom the customer has spoken (names, position in the Council and dates)
- d) Copies or references to letter or documents relevant to the complaint
- e) State what the customer hopes to achieve as an outcome to the complaint.

### Internal Review

Experience has shown that the majority of complaints will be satisfactorily resolved by the relevant Director. However, a person who is not satisfied with the outcome may request a review of the complaint by the Council's General Manager. A request for a review of the complaint to the General Manager is to be in writing.

The General Manager will inform the customer of the findings on completion of an investigation.

### Consideration of a Complaint

In considering a complaint the relevant Director or the General Manager will:

- Examine and analyse the information already available and follow up points requiring clarification;
- Look at the Council Policies which might have a bearing on the complaint;
- Consider whether or not the Council is at fault;
- Consider any necessary action to be taken to correct the any faults identified; and
- Consider a review of the Council's procedures to avoid recurrence of any similar complaint in the future if necessary.

The relevant Director or the General Manager may enter into informal discussions or mediation on a complaint with a view to resolution.

### **Vexatious Complaints**

All complaints received by Council will be treated with the utmost seriousness, however, if a complaint is found to be malicious, frivolous or vexatious, as determined by the General Manager, then no further action will be taken on the complaint. The customer will be informed of this decision in writing by the General Manager.

### **Anonymous Complaints**

While we will receive anonymous complaints, we will generally only act on them where the matter is considered to be serious and there is sufficient information in the complaint to enable an investigation to be undertaken.

### **Protection of Customer**

We will take all care to ensure that the reporting of complaints will not result in a customer experiencing any form of victimisation or retribution as a result of the complaint.

### **What if a customer is not satisfied with the resolution of the complaint ?**

Council is We are confident that it we can resolve the majority of complaints received, however, we understand that we may not be able to satisfy every customer on every occasion.

Sometimes Councils have has to make difficult and complex decisions involving many people and individual customers do not get the outcome they would prefer.

If a complaint remains unresolved or a customer is dissatisfied with our process in dealing with a complaint, other avenues remain for the customer to explore, which these include:

- available Administrative Appeals Process;
- the *Judicial Review Act 2000* ;
- contacting external agencies which can review actions and decisions taken by the Council, these include such as:
  - The Ombudsman who is an officer responsible to Parliament for investigating complaints made about administrative actions (or inactions) of Tasmanian Government Departments, most Statutory Authorities and Local Government. The Ombudsman is located at Ground Floor, 99 Bathurst Street, Hobart, 7000. (GPO Box 960 HOBART, 7001) Ph: 1800 001 170; and
  - Local Government Division, Department of Premier and Cabinet, Level 4 5, 39 15 Murray Street, Hobart, 7000. (GPO Box 123 HOBART, 7001) Ph. (03) 6233 6758 6232 7022

While a customer is entitled to refer a complaint directly to these bodies at any time, customers are encouraged to allow Council the opportunity to resolve the complaint in the first instance.

### **Complaints against non compliance or offence**

Pursuant to Section 339E of the Act, a person may make a complaint to the Director of Local Government:

- That Council, a Councillor or the General Manager has failed to comply with the requirements under an Act; or
- That a Councillor, the General Manager or an employee of the Council may have committed an offence under the Act.

**A** The complaint must:

- Be in writing;
- Identify the complainant and the person against whom the complaint is made;
- Give particulars of the grounds of the complaint;
- Be verified by statutory declaration; and
- Be lodged with the Director, Local Government Division, Department of Premier and Cabinet, Level 14 5, 39 15 Murray Street, Hobart (GPO Box 123 HOBART, 7001).

## HOW YOU CAN CONTACT US

You can contact us to make an enquiry, lodge a customer service request or a complaint:

- In person by visiting Council's Offices at 26 Lyall Street, Westbury during the hours of 8:30am to 5:00pm Monday to Friday;
- By phoning 6393 5300 or faxing 6393 1474 during the hours of 8:30am to 5:00pm Monday to Friday. Council provides an after-hours Emergency Service on the same number;
- By post to Meander Valley Council, PO Box 102, WESTBURY 7303;
- By email to [mail@mvc.tas.gov.au](mailto:mail@mvc.tas.gov.au);
- Via the Internet by visiting the Council website at [www.meander.tas.gov.au](http://www.meander.tas.gov.au).
- Via Social Media – Facebook – [www.facebook.com/MeanderValleyCouncil](http://www.facebook.com/MeanderValleyCouncil)  
Twitter - @mvcouncil

## PERSONAL INFORMATION PROTECTION

Council has a commitment to protection of Personal Information provided by a customer to Council in accordance with the requirements of the *Personal Information Protection Act 2004* and the *Right to Information Act 2009*.

Council's *Personal Information Protection Policy* is available for inspection at Council's Offices and on Council's website.

## REPORTING

The General Manager is to provide Council with a report at least once a year of the number and nature of complaints received in accordance with section 339F(5) of the *Local Government Act 1993*.

## AVAILABILITY

This *Customer Service Charter* is available:

- For public inspection at the Council Office during normal office hours;
- On the Council's website free of charge;
- From the Council Office; and
- In the 'New Resident Kit'

## REVIEW

This *Customer Service Charter* is to be reviewed at least once every two years in accordance with section 339F (4) of the *Local Government Act 1993*.

**DECISION:**

## **GOV 4 2014-2015 COMMUNITY GRANTS APPLICATION ASSESSMENTS – ROUND 4 – APRIL 2015**

### **1) Introduction**

The purpose of this report is to present the recommendations of the Community Grants Committee to Council for approval.

### **2) Background**

This is the fourth and final assessment of the 2014-15 financial year. The total Grants allocation is \$70,000 of which 15% (\$10,500) is reserved for Sponsorships and Establishment Grants.

Committee members: Councillor Tanya King, Malcom Salter (Director Corporate Services), Vicki Jordan (Community Officer) and Merrilyn Young (Grants Administrator) met on 30 April 2015 to consider the applications received. Apologies were received from Councillor Ian Mackenzie and Patrick Gambles (Community Development Manager).

### **3) Strategic/Annual Plan Conformance**

Supports Council's Community Strategic Plan Future Direction No. 3 Vibrant and engaged communities.

The Community Grants Program complies with the 2014-15 Annual Plan target 1.5(2).

### **4) Policy Implications**

The process was undertaken in accordance with the guidelines attached to the Community Grants Policy No 82.

### **5) Statutory Requirements**

Section 77 of the Local Government Act 1993 – *'Details of any grant made are to be included in the Annual Report of the Council'*

### **6) Risk Management**

Liability and public risk issues are considered in evaluating grant applications.

### **7) Consultation with State Government and other Authorities**

Not Applicable



## 8) Community Consultation

Advice and assistance is provided to applicants on request. The Community Grants Program is communicated through community networks and the media. An Information and Guidelines Kit is available from the Council website with hard copies on hand at Council reception. A Grants Information Forum is held annually in May.

## 9) Financial Impact

The awarding of grants is made within the limits of the annual budget allocation which is spread over four rounds throughout the year.

## 10) Alternative Options

Council can amend or elect not to approve the Committee's recommendations.

## 11) Officers Comments

### Individual Sponsorship Requests

The following requests have been approved by the General Manager during the period January 2015 – March 2015:

<u>Applicant</u>	<u>Resident in</u>	<u>Purpose</u>	<u>\$</u>	
Nic	White	Prospect Vale	National Touch Football – NSW	125
Tim	Atkins	Dunorlan	National Trap Shooting Championships – NSW	125
Sally-Anne	Burns	Hagley	All Australian Vigoro Championships - QLD	125
Courtney	Burns	Hagley	All Australian Vigoro Championships - QLD	125
Luke	Whiteley	Meander	National Trap Shooting Championships - NSW	125
Tahni	van Dijk	Westbury	All Australian Vigoro Championships – QLD	125
Aimee	Foskett	Deloraine	All Australian Vigoro Championships – QLD	125
Lailani	Pybus	Blackstone Heights	National Little Athletics Championships – WA	125
<b>TOTAL</b>				<u>1000</u>

### Grant Applications and Sponsorship Requests from Organisations

9 applications were received this round totalling requests of \$22,270. The recommended outcomes are indicated in the final column of the table below:

As the recommended Grants of \$16,270 exceeds the available funds of \$12,151 the Committee agreed to use \$4,119 of sponsorship allocation unlikely to be used in 2014-15 to fund the shortfall.

Organisation	Project	Estimated Project Value \$	Grant Requested \$	Grant Recommended \$
Carrick Park Pacing Club Inc	Portable address system	2,597	2,000	0
Child Health Ass of Tas – Westbury	New equipment	3,381	3,000	3,000
Deloraine Golf Club Inc	Semi-auto defibrillator	3,100	1,500	1,500
Deloraine Junior Basketball	New basketballs	4,000	3,000	3,000
Meander Valley Business Assoc.	“Fired Up”	5,000	3,000	0
Meander Valley Community Radio	Equipment to broadcast live	3,000	2,295	2,295
Westbury RSL Sub Branch	Refurbish of cenotaph artillery gun	5,104	2,500	*1,500
Westbury Shamrocks Cricket Club	Wicket covers	3,950	1,975	1,975
“Who Was Nellie Payne”	Research, acquire and exhibition	37,000	3,000	3,000
<b>TOTAL</b>		<b>67,132</b>	<b>22,270</b>	<b>16,270</b>

7 grant allocations are recommended for approval by Council equalling \$16,270. These projects have an estimated total value of \$67,132 plus voluntary labour where appropriate (calculated @ \$20 per hour) in excess of \$45,000. The reasons for refusal of two applications were due to only \$12,151 funding being available and both are of a commercial/business interest rather than general community not-for-profit groups.

\* Awarded in March 2015 with the General Manager’s consent.

**AUTHOR:** Vicki Jordan  
COMMUNITY OFFICER

## 12) Recommendation

*It is recommended that Council:*

- a) *notes the Individual Sponsorships approved by the General Manager in the March quarter; and*
- b) *endorses the recommendations of the Community Grants Committee and approves the allocation of funds to the applicants as listed in the following table:*

Organisation	Project	Grant Recommended \$
Child Health Ass of Tas - Westbury	New equipment	3,000
Deloraine Golf Club Inc	Semi-auto defibrillator	1,500
Deloraine Junior Basketball	New basketballs	3,000
Meander Valley Community Radio	Equipment to broadcast live	2,295
Westbury RSL Sub Branch	Refurbish of cenotaph artillery gun	1,500
Westbury Shamrocks Cricket Club	Wicket covers	1,975
"Who Was Nellie Payne"	Research, acquire and exhibition	3,000
<b>TOTAL</b>		<b>16,270</b>

## DECISION:

## **ED & S 1 MEANDER SCHOOL OWNERSHIP**

### **1) Introduction**

The purpose of this report is to consider an offer by the Department of Education to transfer the ownership of the former Meander Primary School to Council.

### **2) Background**

On Wednesday 17 September 2014 the Meander Primary School Principal Mr Zac Taylor asked for a meeting with the Mayor and General Manager, to discuss the possible closure of the Meander Primary School. Mr Taylor sought Council's views on being involved in the future ownership of the school buildings if the school was to close. The Mayor advised that Council would be interested in further discussion if the closure proceeded.

On Tuesday 17 February 2015 Council's General Manager and Director Economic Development & Sustainability, Mr Rick Dunn, met with Mr Taylor and the Department of Education's Facility Manager Mr Todd Williams to discuss options regarding the future use of the school site.

Two options were discussed at this meeting which included:

1. The Department of Education could dispose of the site as per the provisions of the Crown Lands Act 1976 or
2. Under the provisions of the same Act, offer the transfer of the site to Council at a peppercorn value on the basis of Council working with the Meander Community to determine an appropriate use for the future.

Mr Williams was asked that if Option 2 was taken up by Council, could any proposed future use identified be of either, a community or commercial nature. Mr Williams indicated that the uses could be either however a condition of the ownership transfer would be the inclusion of a reversionary covenant by the Crown. During the meeting Mr Williams indicated that such a covenant would not be enacted should it be decided by Council and Community that the best use of the site would be for commercial purposes and as such offered for sale.

Mr Williams went on to say that should Option 2 be accepted by Council, it would be required to pay Stamp Duty on the transfer.

Mr Williams indicated he would provide Council with a letter offering the transfer of ownership to Council and this letter was received on 17 March 2015 (Letter attached).

Mr Dunn requested that the current valuation (Valuation attached) of the property be provided along with the wording associated with a reversionary covenant clause that would be used in any transfer agreement. This was provided on 23 March 2015.

A significant concern for Council Officers is that the example wording for the reversionary covenant only allows for the land to be used for 'community purposes'.

If Council were to assume ownership of the property and should the Meander Community and Council agree that the best use for the property would be for commercial use and/or private sale, it is clear that the property would revert back to the Crown.

### **3) Strategic/Annual Plan Conformance**

Supports the Council's Community Strategic Plan 2014-2024 – Future Direction No. 2 A thriving local economy.

### **4) Policy Implications**

Council's New & Gifted Asset Policy

### **5) Statutory Requirements**

Not Applicable

### **6) Risk Management**

There has not been a facilities condition assessment undertaken to identify likely ongoing maintenance costs.

The inclusion of the reversionary covenant clause burdens Council with a financial risk. The covenant restricts the future use where the sale for a commercial use could provide the greatest long term benefit for the Meander Community.

### **7) Consultation with State Government and other Authorities**

A meeting with the Department of Education representatives Todd Williams (Facilities Management) and Zac Taylor (Former Principal) on 17 February 2015.

A letter of offer by the Department of Education to assume ownership was received by Council on 17 March 2015.

### **8) Community Consultation**

Not Applicable

### **9) Financial Impact**

The former Meander School site had a capital value of \$675,000 when last valued at 14 October 2014.

If Council were to assume ownership of the property it would incur the following costs:

- Stamp duty payable of approximately \$25,600
- Annual Land Tax of approximately \$1,200
- Annual Depreciation of approximately \$11,500

Council has not had the opportunity to undertake an inspection of the property and its buildings and as such has no knowledge of maintenance expenditure that may need to be undertaken in the short, medium and long term.

## 10) Alternative Options

Council can elect to modify or not to support the recommendations.

## 11) Officers Comments

Council officers are of the view that it would be unreasonable to take ownership of a significant asset without having a clear view on the future sustainable use of that asset.

The Department of Education have asked that Council make a decision on the offer to take ownership of the property and advise the Department by mid-June 2015.

It is clear that a conversation needs to be held not only with the Meander Community but also the broader community on what this facility could and should be used for into the future. The temptation for Council to assume ownership of an asset that could be of value to a community should not outweigh the fact that the reversionary covenant restricts certain future uses and there is no clear community view on what the future use of the facility should be.

With these issues considered it would be an unacceptable risk for Council to assume ownership of the former Meander School site. Considering the discussions the Department of Education have had with the Community to close the school, the Department is very well placed to continue the conversation with the Community to determine a future use of the site.

**AUTHOR:** Rick Dunn  
DIRECTOR ECONOMIC DEVELOPKMENT & SUSTAINABILITY

## 12) Recommendation

*It is recommended that Council:*

- 1. Decline the Department of Education's offer to assume ownership of the former Meander Primary School*
- 2. Recommends to the Department of Education that it work closely with the Meander Community to determine a future sustainable use for the former school facility.*

**DECISION:**

Department of Education

FACILITY SERVICES

Letitia House, Olinda Grove, Mt Nelson TAS 7007  
GPO Box 169, Hobart, TAS 7001 Australia  
Ph (03) 6165 6340 Fax (03) 6233 2437



File: FOL/13/5550, DOC/15/42155

16 March 2015

Mr Greg Preece  
General Manager  
Meander Valley Council  
PO Box 102  
WESTBURY TAS 7303

INDEX NO. 17889			
Doc No.			
Batch No.			
RCVD	17 MAR 2015	MVC	
Action Officer	GP	Dept.	G
EO	✓	OD	BOX

Dear Greg,

**Former Meander Valley Primary School**

I refer to our meeting regarding the future use of the former Meander Valley Primary School site and the proposal to transfer the land and buildings to the Meander Valley Council to support ongoing and new community activities in the region.

As you are aware, the Department of Education (DoE) formed a steering committee to ensure that the school closure and transition to other schools in the area was managed carefully and sensitively in consultation with the local community.

At the end of the 2014 school year when the closure of the Meander Primary School was decided upon by the Meander School Community, parents of the Meander students attended a number of information and tour sessions at Mole Creek and Deloraine Primary School respectively. This provided parents with an opportunity to gain an understanding and insight into both schools and assisted families to make informed decisions about where they would send their child for ongoing success.

Students participated in a successful transition program, which consisted of a number of orientation sessions and days at the end of 2014. The program ran across both Deloraine Primary School and Mole Creek Primary School and ensured students were familiar with their new environment, teachers and facilities.

Principals, teachers and parents have all reported that the start of the 2015 school year has begun extremely well for the students of the former Meander Primary School.

I understand that there has been discussions locally aimed at establishing future potential uses for the former school site to provide an ongoing benefit to the town of Meander and the surrounding region. We have received advice that potential uses have included tourism related uses and formation of a rural skills institute.

To support the continued community use of the property the Department is willing to forego sale of the property if the Meander Valley Council is willing to take over ownership. It is believed that local ownership of the facility will provide the best opportunity to generate ongoing community and economic activity.

I am therefore formally offering to transfer the property to the Meander Valley Council at a peppercorn value under Section 12 of the *Crown Lands Act 1976*, subject to relevant Ministerial and Statutory approvals.

A condition of transfer at peppercorn value requires that a reversionary covenant be placed on the title to ensure that the former Meander Primary School provides ongoing community benefit into the future. I also note from previous similar transfers that the purchaser, Council in this case, would be required to pay any assessed stamp duty.

Could you please advise in writing whether Council are prepared to accept transfer of the property. I understand that this may take time for Council to consider and would appreciate if we could be advised prior to mid-June 2015.

Until this time, the Facility Services Section of the Department will continue to arrange essential maintenance and security at the property.

If you have any enquiries, please phone me on 6165 6340 or alternatively email me at [todd.m.williams@education.tas.gov.au](mailto:todd.m.williams@education.tas.gov.au).

Yours sincerely

A handwritten signature in black ink, appearing to read 'Todd Williams', with a long horizontal flourish extending to the right.

Todd Williams  
**Manager, Asset Planning**



**PROPERTY ID:** 1915878  
**MUNICIPALITY:** MEANDER VALLEY

**PROPERTY ADDRESS:** MEANDER PRIMARY SCHOOL  
 137 MAIN RD  
 MEANDER TAS 7304

**PROPERTY NAME:** MEANDER PRIMARY SCHOOL

**TITLE OWNER:** 123568/1 : THE CROWN

**RATE PAYERS:** DEPARTMENT OF EDUCATION

**POSTAL ADDRESS:** GPO BOX 169  
 HOBART TAS 7001

## MAIN IMPROVEMENTS SUMMARY

**Improvements:** SCHOOL

Improvement Sizes (Top 3 by Size):	Area:	Improvement:
	500.0 square metres	SCHOOL
	310.0 square metres	COVERED AREA
	116.0 square metres	OPEN VERANDAH

**Number of Bedrooms:**

**Construction Year of Main Building:** 1920

**Roof Material:** Galvanised Iron

**Wall Material:** Weatherboard

**Land Area:** 1.364 hectares

## LAST VALUATIONS

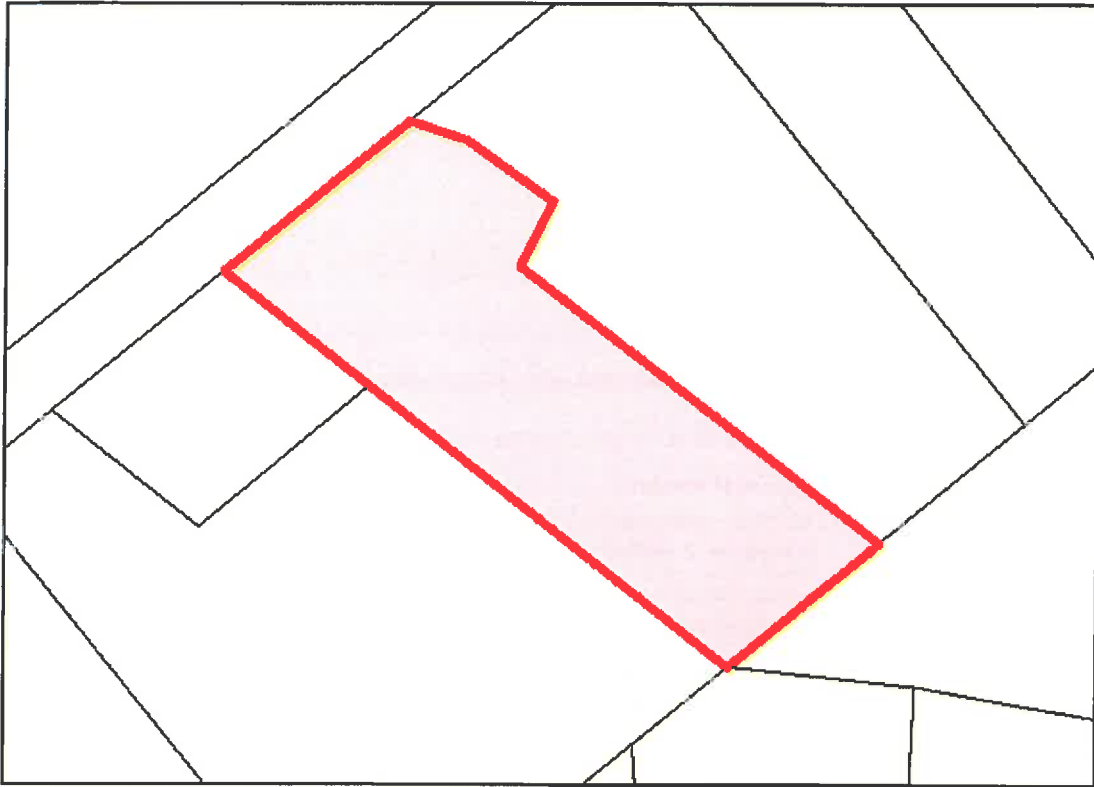
Date Inspected	Levels At	Land	Capital	A.A.V.	Reason
14/10/2014	01/07/2012	\$100,000	\$675,000	\$27,000	School additions already valued
13/12/2012	01/07/2012	\$100,000	\$675,000	\$27,000	Revaluation

**No information obtained from the LIST may be used for direct marketing purposes.**

This data is derived from the Valuation List prepared by the Valuer General under the provisions of the Valuation of Land Act 2001. These values relate to the level of values prevailing at the dates of valuation shown.

While all reasonable care has been taken in collecting and recording the information shown above, this Department assumes no liability resulting from any errors or omissions in this information or from its use in any way.

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**Explanation of Terms**

**Property ID** - A unique number used for Valuation purposes.

**Date Inspected** - The date the property was inspected for the valuation.

**Levels At** - The date at which values of properties are set to determine revaluations and any supplementary valuations in the revaluation cycle.

**Land Value** - The value of the property excluding all visible improvements such as buildings, structures, fixtures, roads, standings, dams, channels, artificially established trees, artificially established pastures and other like improvements but does include draining, excavation, filling, reclamation, clearing and any other such like invisible improvements made to the land.

**Capital Value** - The total value of the property, excluding plant and machinery, and includes the land value.

**A.A.V.** - The gross annual rental value of the property, excluding GST, municipal rates and land tax, but is not to be less than 4% (percent) of the capital value.

**Multiple Tenancies** - Properties that have multiple tenants are assessed for separate A.A.V's. e.g. a house and flat.

## **ED & S 2 BASS HIGHWAY SIGNAGE AT WESTBURY**

### **1) Introduction**

The purpose of this report is to seek Council's decision on the most suitable option for Bass Highway signage at Westbury.

This agenda item was presented to Council at the April meeting and the decision was deferred until the May Council meeting to allow for a sub-committee to meet and discuss further.

At the time of preparing this agenda item a meeting of the sub-committee had not been conducted.

### **2) Background**

The completion of the Bass Highway in 2001 diverted passing traffic from Meander Valley Road in Westbury. As a consequence, local businesses catering for tourism traffic and unplanned retail and food stops are reporting a significant drop in customer numbers. This is not an unexpected consequence when a small town is bypassed. The business owners believe that appropriate signage on the Bass Highway is the most effective way to attract customers back to their businesses.

In an effort to support local businesses and address their concerns Meander Valley Council has worked with them and other key stakeholders to develop the 'Bass Highway Lay-by Signage Proposal' with objectives to:

- attract more customers;
- be affordable;
- be allowed under local/state government laws; and
- be installed within a reasonable time.

The Proposal provided detailed designs of the new sign structures for two signage options:

1. Construct new sign structures within the lay-bys; or
2. Replace the existing 'Be Bowled Over' signs.

The options were put to 29 key stakeholders and Council officers. The majority of these stakeholders preferred option 2 the replacement of existing 'Be Bowled Over' signs with an alternative design for Information Signs with Temporary Events. The proposed Information Signs with Temporary Events design was considered the only alternative that could achieve the objectives.

The proposal was then workshopped with Council at the November 2014 meeting with a recommendation that 'Council support the replacement of the existing 'Be Bowled Over' signs (option 2). The views from Councillors were diverse and a number of Councillors raised concerns that stakeholder engagement was insufficient – particularly with Westbury businesses.

In response Council officers launched another round of consultation in the form of a survey of residents and business owners. The results from 130 survey responses confirmed majority support for option 2 to replace the existing signs with the proposed Information Signs with Temporary Events.

Key statistics from the survey:

- 78% of respondents were MV residents, 32% work in MV and 24% have a MV business
- 70% consider the 'Be Bowled Over' signs don't attract passing motorists
- 67% consider the Information Signs with Temporary Events signs will attract passing motorists
- White lettering on green and orange – reflecting Irish heritage has 59% support (of 88 respondents)
- Welcome to Historic Westbury has 76% support as a header sign (of 90 respondents)
- Top 6 sign boards in order of preference are:
  - i. Great Western Tiers Touring Route (34.8%)
  - ii. Historic Village Green (34.8%)
  - iii. *Village Green and Town Common (31.5%)*
  - iv. *Village on the Green (31.5%)*
  - v. Pearns Steam World (31.5%)
  - vi. Silhouette Trail (29.4%)

However, since variations on Village Green appears 3 times in the top 6 sign boards, officers recommend using 'Historic Village Green' and including the seventh and eighth most popular, which is:

- vii. Traveller Facilities (26.1%)
- viii. Tasmanian Tidy Town Winner 2015 (26.1%)

The design resulting from the additional survey results can be seen in Figure 1.



Figure 1: proposed sign design showing colours, header sign, preferred attractions and event placeholders (Note: not to scale, schematic only)

Option 2 proposes to replace the existing 'Be Bowled Over' signs at 3600 x 2400mm with the larger 4400 x 3150mm Information Signs with Temporary Events. As a result the existing posts will need to be replaced by 150mm breakaway posts spaced further apart with larger footings, with a clearance of between 1000 to 1500mm above the ground.

Incorporating 'Great Western Tiers Touring Route' as one of the sign boards will enable removal of 5 existing signs:

- i. Eastern approach Be Bowled Over
- ii. Western approach Be Bowled Over
- iii. Eastern approach Westbury Exton Exit 500m
- iv. Eastern approach GWT Touring Route
- v. Western approach Westbury (Frankford) (Exeter) Exit 400m

**The business owner conditions for option 2 are proposed to include:**

- The signs promoting upcoming events can include branded colours and logos;
- The temporary corflute signs would be paid for by individual businesses;
- The signs should be designed to include the what, when (date and time) and where required to promote upcoming events, but not include telephone numbers, address details, opening hours, or a website address;
- The sign owner shall meet all costs of artwork, design and manufacture of their corflute signs and, prior to manufacturing their sign, they shall submit the sign design to Council for approval;
- Council will not be responsible for any damage that may occur to the sign owner's temporary sign while attached to the sign structure;

- Event managers may be charged a fee for installation/removal of corflute signs where events are run for profit; and
- Event signs would be displayed for 3 weeks leading up to an event, with extensions at the discretion of the Director Development Services.

The application process for option 2 is suggested as follows:

- The application for a temporary event sign is made to Council's Director of Development Services that includes the applicant's preferred sign content;
- Council provides approved applicant with preferred font sizes, sentence case, as well as contact information for sign manufacturers;
- Applicant arranges manufacture and delivery of sign to Council offices at 26 Lyall Street, Westbury; and
- Council install sign within 1 week.

### **3) Strategic/Annual Plan Conformance**

The proposed Information Signs with Temporary Events design complies with Councils future directions:

- A thriving local economy; and
- Vibrant and engaged communities.

### **4) Policy Implications**

Not Applicable

### **5) Statutory Requirements**

Not Applicable

### **6) Risk Management**

Installing and removing temporary signs near the road reserve poses a risk to Council employees.

### **7) Consultation with State Government and other Authorities**

Corroboration with the Department of State Growth (formerly DIER) was sought to test the options outlined in the proposal. Council will work closely with the Department during installation.

### **8) Community Consultation**

The proposed design was developed through consultation with a subcommittee of Westbury business owners. The design was workshopped with elected members of Council and then included in a survey that was completed by 130 Meander Valley residents, local employees and business owners.

## 9) Financial Impact

The Department of State Growth has offered to jointly fund the manufacture and installation of the proposed signs, as well as removal of existing signs. Council will therefore be required to fund \$6,375 (excluding GST) of the \$12,750 project.

Description	Quantity	Cost (\$)
Sign removal	5	1,200
Detailed design of 'Welcome To...' signs	1	500
Manufacture and install of 'Welcome To...' signs	2	11,050
Nett total		12,750
GST		1,275
<b>Total</b>		<b>14,025</b>

Installation and removal of temporary event signs will have an ongoing operational cost and work, health and safety impacts for Council's Department of Works. The Director of Works estimates that installation and removal of a single event sign will cost \$60 based on an assessment of the two proposed locations.

The cost to event managers for one corflute event sign using Class 2 materials is estimated at less than \$140.00 (excluding GST).

## 10) Alternative Options

Council can choose to leave the 'Be Bowled Over' signs and/or construct new lay-by signs (option 1).

## 11) Officers Comments

Improving signage along the Bass Highway will benefit all parties. Council and the local community will benefit if local businesses can secure viability, can continue to operate and provide employment options. Council may also gain greater support from a sector of the community that has been openly critical of Council.

Additionally, replacing the two existing signs to include promotion of events aligns with business owner's beliefs that:

- The 'Be Bowled Over' signs are not effective, and must be changed to something that represents everybody;
- There needs to be a better 'hook' to encourage passing motorists to turn off or they will just keep on driving; and
- Temporary signs are being erected prior to Westbury events (e.g. Steam Up Weekend) to try and encourage more visitation, events would not be successful without event signs on the Bass Highway.

The provision of signage structures that enable approved promotion of events may be a method to reduce unapproved signs. This in turn may reduce the distraction to passing

motorists and risks to members of the public who are regularly erecting/removing illegal signs alongside the highway without correct traffic management processes.

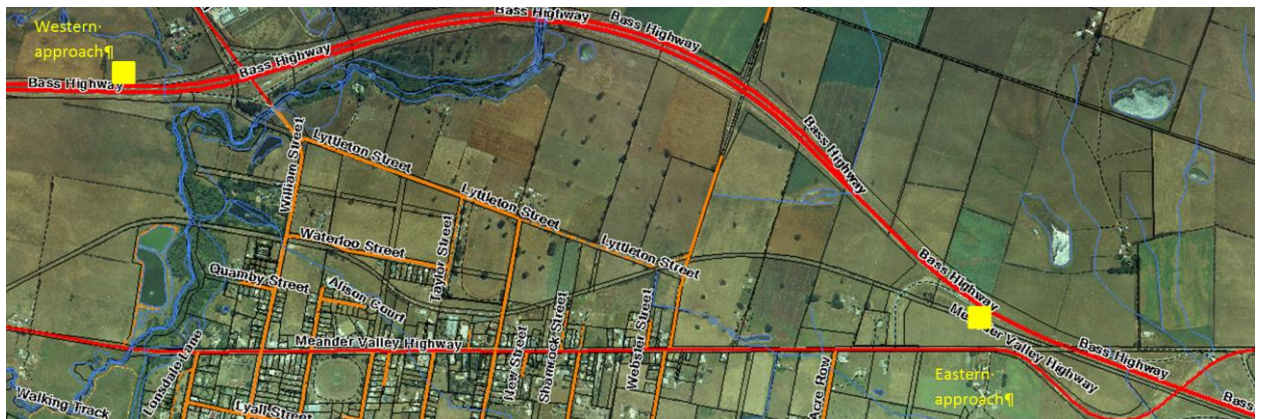


Figure 1: aerial image of Bass Highway near Westbury showing approximate locations of the 2 new Information Signs with Temporary Events

The suggested position of the new Information Signs with Temporary Events is proposed for approximately 300m west of the existing location on the eastern approach, just before the first off ramp into Westbury, and slightly east of the existing 'Great Western Tiers Touring Route' sign, refer Figure 1. The ground at the new location is level, vehicles can be positioned 3 or more meters off the road, and sign visibility is improved.

In order to provide separation on the eastern approach, the Department of State Growth would also reposition the existing Advance Direction Sign 70m east of its current position (behind the wire rope fence).

On the western approach the most accessible location is at the start of the slip lane to the lay-by. Its level and vehicles can be safely positioned more than 3 meters from passing traffic.

The height of between 1000 to 1500mm above the ground will allow Council officers to change the upcoming events plates without having to use a ladder, thereby further reducing their risks.

The locations have been selected to maximise visibility for passing motorists, maximise accessibility for Council employees when changing signs and to minimise overall risks. Decisions are based on site assessments by Council officers – including a formal assessment of risk by Council's Work, Health & Safety Officer with the Director of Works. The entire process has been done in consultation with members of the Traffic Engineering Branch within the Department of State Growth. The exact position of signs will be confirmed with the Department at the time of installation.

**AUTHOR:** Craig Plaisted  
PROJECT OFFICER

## 12) Recommendation

*It is recommended that Council replace the existing 'Be Bowled Over' signs with the proposed Information Signs with Temporary Events design shown in Figure 1.*



## DECISION:

Cr Connor moved and Cr Mackenzie seconded *“that Council replace the existing ‘Be Bowled Over’ signs with the proposed Information signs with Temporary Events design show in Figure 1.*

As an amendment Cr White moved *“that Council replace the existing ‘Be Bowled Over’ signs with the proposed Information Signs with Temporary Events design show in Figure 1 and remove Historic from the 1<sup>st</sup> line and remove the 2<sup>nd</sup> line all together but retain the Great Western Tiers Touring Route sign.”*

# **INFRA 1 CAPITAL WORKS PROGRAMME 2015-2016**

## **1) Introduction**

The purpose of this report is to consider the Capital Works Programme (CWP) proposed for the 2015-2016 financial year.

## **2) Background**

The development of the CWP commenced with a review of those projects listed for consideration in previous financial years and proposed projects developed with input from Councillors, Council officers and Special Committees. Asset Management Plans and feedback from the community were also important inputs into the preparation of the draft CWP.

Project costs were estimated by Council officers by either preparing a detailed breakdown of project cost items or using empirical information from other similar and recent projects. In some instances project cost estimates will need to be reviewed subject to detailed design prior to the commencement of work on the project. The prioritisation of projects was undertaken using the Meander Valley Council Prioritisation System. This system assesses each project on the basis of risk, condition, use, and strategy and provides a reasonably objective and consistent method for assessing all projects.

Council's Long Term Financial Plan (LTFP) was used as a basis for determining the overall extent of funding required for the CWP. The greater portion of LTFP funding for capital works is calculated from asset depreciation and Asset Management Plan renewal information.

\$4.75 million of the CWP is for the renewal and replacement of infrastructure assets in line with Council's responsibility for maintaining its infrastructure assets in both a safe and serviceable condition.

A component of LTFP funding is also provided for upgraded and new asset work and to fund special or strategic projects. At the time of replacing an asset Council is able to take the opportunity (where appropriate) to make improvements to or upgrade an asset. This can improve the level of service, reduce maintenance costs of existing assets and increase the useful life of the asset, however, increased lifecycle costs for upgraded assets needs to be considered.

New assets are an important part of the CWP, providing a new service where a need has been identified. Examples of this includes new footpaths in Blackstone Heights and Westbury, stormwater upgrades in Kipling Crescent and Montpelier Drive, upgrading of the Westbury Recreation Ground building facilities, street tree planting in Carrick, the ongoing commitment to upgrading facilities at the Prospect Vale Park and the continuing upgrade of Westbury Road. These projects make up approximately \$1.40 million of the total of \$2.10 million new and upgrade works.

At the April Council workshop and bus tour Council reviewed the draft CWP and discussed the proposed projects in detail.

The CWP also includes anticipated carry over projects from previous financial years that total approximately \$1.97 million.

### **3) Strategic/Annual Plan Conformance**

The Annual Plan requires the CWP to be compiled and adopted in the June quarter.

The CWP helps deliver the Strategic Plan as follows:

- Future direction (1) – A sustainable natural and built environment; by delivering projects which have a positive environmental impact (e.g. stormwater projects)
- Future direction (2) – A thriving local economy; by addressing current constraints and supporting development (e.g. Westbury Road Transport Study Projects – managing traffic demand)
- Future direction (4) – A healthy and safe community; providing infrastructure to give more opportunity for active living (e.g. footpaths)
- Future direction (5) – Innovative leadership and community governance; by working together with our community (in consultation on future projects and long term financial and asset management)
- Future direction (6) – Planned infrastructure services; by maintaining current infrastructure and services (e.g. planned asset renewal).

### **4) Policy Implications**

The CWP has been developed in accordance with Council's Asset Management Policy (No.60).

Where applicable Council's New and Gifted Assets Policy (No.78) has been used to review the benefit of new projects.

### **5) Statutory Requirements**

The *Local Government Act 1993* requires councils to prepare an asset management policy, asset management strategy and long term financial management plans.

### **6) Risk Management**

One of the major objectives of the CWP is to maintain Council's assets and facilities in a safe and serviceable condition. This mitigates Council's risk as the accelerated deterioration of assets increases the risk to users.

There is also financial risk with the addition of new and increased levels of service. The asset management and long term financial planning that Council is undertaking will allow it to better understand the financial implications of this action.

## **7) Consultation with State Government and other Authorities**

A number of Capital Projects rely on funding contributions from the Federal and State Governments and the contributions for some of these projects has been confirmed.

## **8) Community Consultation**

Throughout the year Councillors and Council Officers receive requests, comments, complaints and queries from members of the community regarding the need for new or improved infrastructure. This is one of the inputs used in determining the CWP.

Proposed projects that are not selected for the CWP for 2015-2016 will remain on a project listing and be reconsidered for future CWPs. Projects are reviewed after three years and removed from the list if they are deemed to be of low priority or no longer relevant. This project listing database is maintained by the Infrastructure Services Department.

## **9) Financial Impact**

The total value of the draft CWP, including anticipated carry overs, is \$8.82 million. This is in line with the LTFP. The final carry over amounts for projects will be finalised in June 2015.

The carry over projects include:

- East Goderich Street, Deloraine (\$54,000) – road widening and upgrade for subdivision development contribution
- William Street, Westbury (\$37,000) – continuation of asphalt footpath link from Quamby Street to Waterloo Street
- Meander Valley Road, Hadspen (\$100,000) – construction of pedestrian link over the South Esk River
- Westbury Road, Prospect: Transport Study Projects (\$285,000) – including minor intersection improvements and design development of the new roundabout near Galvline which will provide access to the Prospect Vale Park facility
- New footpath developments, Blackstone Heights (\$87,000) – this allocation for the extension of the Pitcher Parade footpath link, however, commencement subject to further footpath strategy planning in the Blackstone Heights area
- Beefeater Street stormwater drainage upgrade, Deloraine (\$75,000) – commencement of this project was subject to works commencing on the adjacent subdivision. This project is carried forward and recommended for implementation without the requirement for the adjoining subdivision to proceed
- Westbury Town Hall Heating (\$20,000) – execution of this project is subject to approval of the additional works nominated in the 2015-2016 CWP for the renewal of the existing electrical system in the Town Hall

- Westbury Recreation Ground building design and upgrade (\$300,000) – The carry forward amount includes a \$150,000 State Government Grant.
- Prospect Vale Park Development Plan projects (\$574,000) – carried forward for future works and including sportsground upgrade, main access and parking and play scape area.

Grant funding is also anticipated for a number of projects including:

- \$300,000 towards construction of new footpaths in Blackstone Heights (State Government)
- \$50,000 for 'Black Spot' funding for line marking on Meander Road
- \$501,000 additional one-off Roads Two Recovery (R2R) funding
- \$100,000 for pedestrian access across the South Esk River bridge at Hadspen

The \$2.10 million in new and upgraded projects will result in an ongoing (each and every year) increase in depreciation, operation and maintenance costs estimated at \$128,000. Currently 1.0% of Council rate income is equivalent to approximately \$83,000, therefore Council will need to either increase rates by 1.6% to ensure it is able to maintain this level of additional services, or alternately, Council will need to look to reducing current services or operational costs in other areas to offset this increase in additional ongoing annual costs.

An additional financial risk for Council is undertaking asset renewal works ahead of time. Accounting standards require Council to write off the remaining value of these assets in the current financial year. For example, rehabilitation of 1 km of road (value of \$160,000 with a life of 80 years) ten years early would result in a write off of \$20,000.

## 10) Alternative Options

Council may elect to add or remove projects from the programme or amend the budget allocations shown.

## 11) Officers Comments

The main objective of the CWP is to maintain existing infrastructure in an adequate and serviceable condition. The focus of the CWP is therefore on renewal and reconstruction work. Assets are a long term investment by Council and will be a responsibility for future generations. As such, Council's assets should be managed through the adoption of sustainable principles that incorporate a long term approach.

The creation of new assets and infrastructure should align to the strategic objectives of Council and should be regarded as discretionary. Although the creation of new assets may be seen as popular to the section of the community it benefits, it can lead to increased expectations from the wider community. Discretionary spending needs to be balanced against the requirement for Council to adequately maintain existing assets.

The CWP has been developed with input from Councillors and the community and is in line with the strategic objectives of Council, Council's Asset Management Plans and current LTFP.

The result is a CWP that presents a reasonable balance between infrastructure renewal and providing new and upgraded infrastructure where there is a demonstrated need.

#### New Footpath Construction –Westbury and Blackstone

An allocation of \$40,000 has been identified for construction of upgraded or new footpaths in Westbury as part of the circuit trail project identified in the Westbury Structure Plan. Information will be presented to Council at an upcoming workshop prior to commencement of this project.

Additionally, information on project costs and locations of work will be presented to Council at an upcoming workshop for footpath work within Blackstone Heights. This will include continuation of the existing footpath in Pitcher Parade and consideration of options for path work along Blackstone Road.

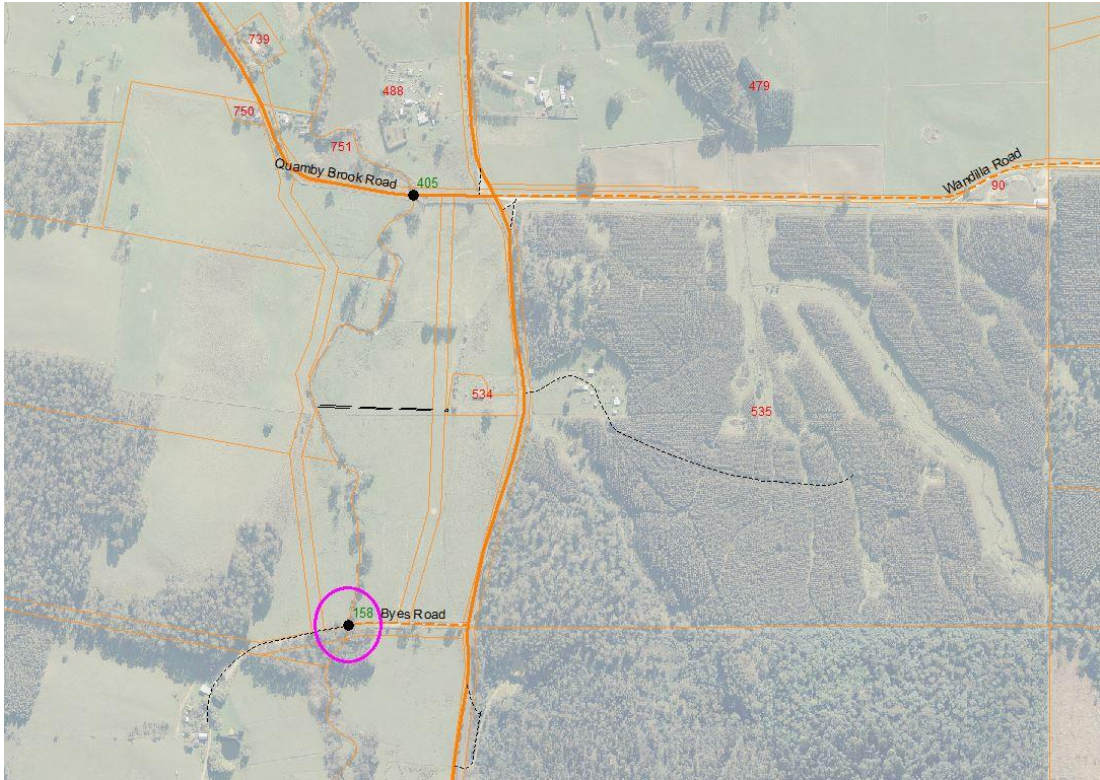
#### Black Spot Funding

It is noted that a Black Spot funding application for \$50,000 has been submitted to the State Government for line marking, guideposts and vegetation management on Meander Road from Highland Lakes Road to the Meander shop (Project 2.0-201.2d). If the grant application is unsuccessful, the project should still be undertaken as it is considered to be a high priority safety project.

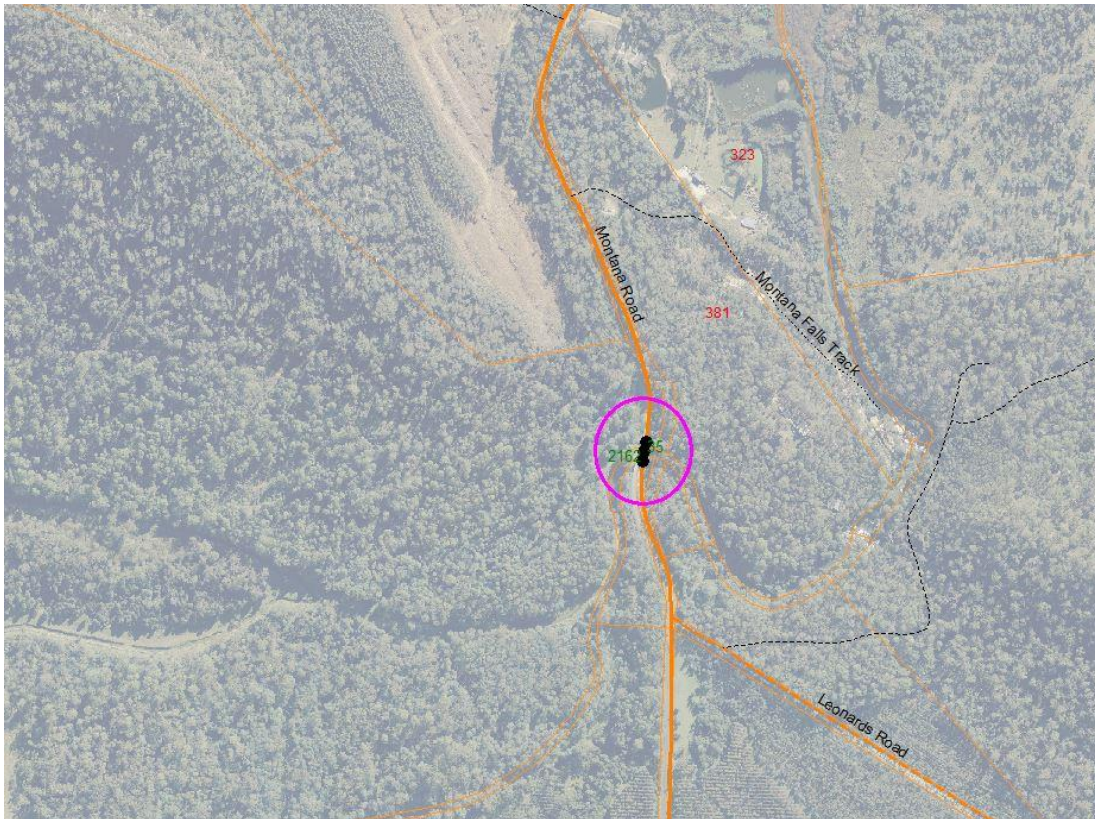
Black Spot funding applications totalling \$79,000 have also been submitted for works on Westwood Road and Gulf Road which are not currently included in the draft CWP. Should the funding application be successful for these additional projects, information will be provided to Council at a later date for the inclusion of these projects in the CWP.

#### Bridge Renewal Programme

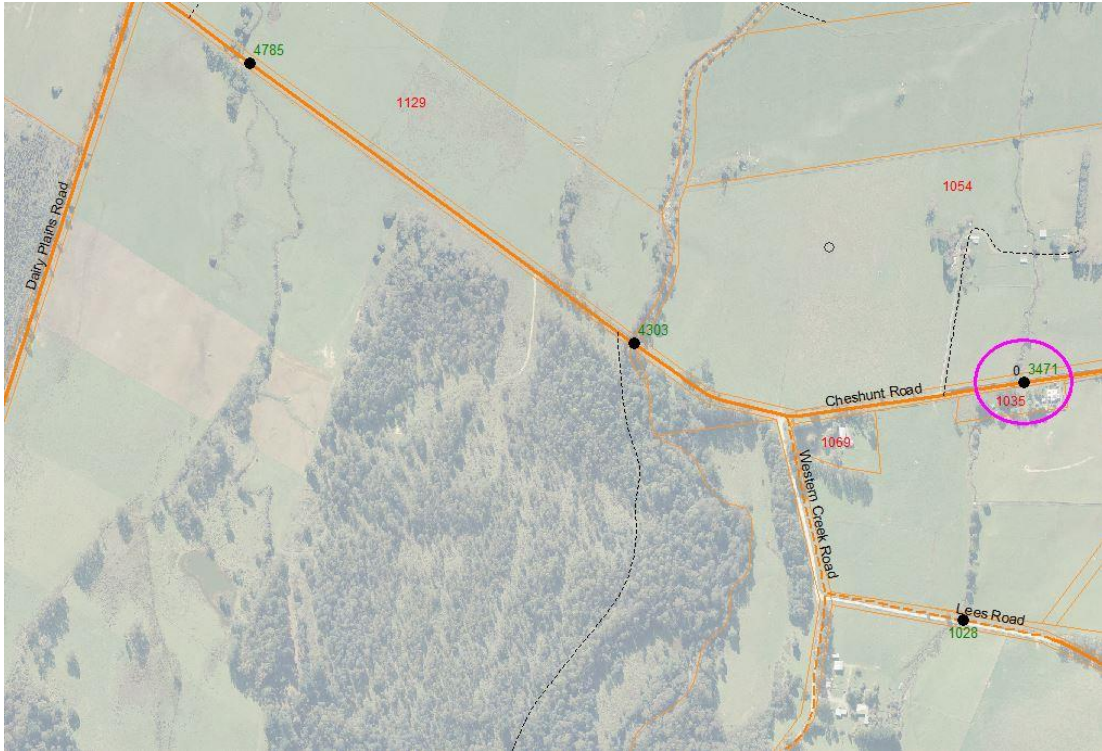
Six bridges have been identified for renewal in the 2015-2016 financial year based on the Bridge Management System condition assessment and recommendations provided by Council's bridge consultant. The proposed bridge works will involve the renewal of timber bridges with concrete structures. At Byes Road, following an engineering assessment, it is intended to retain the existing concrete abutments. The images provided on the following pages indicate the location of these bridges.



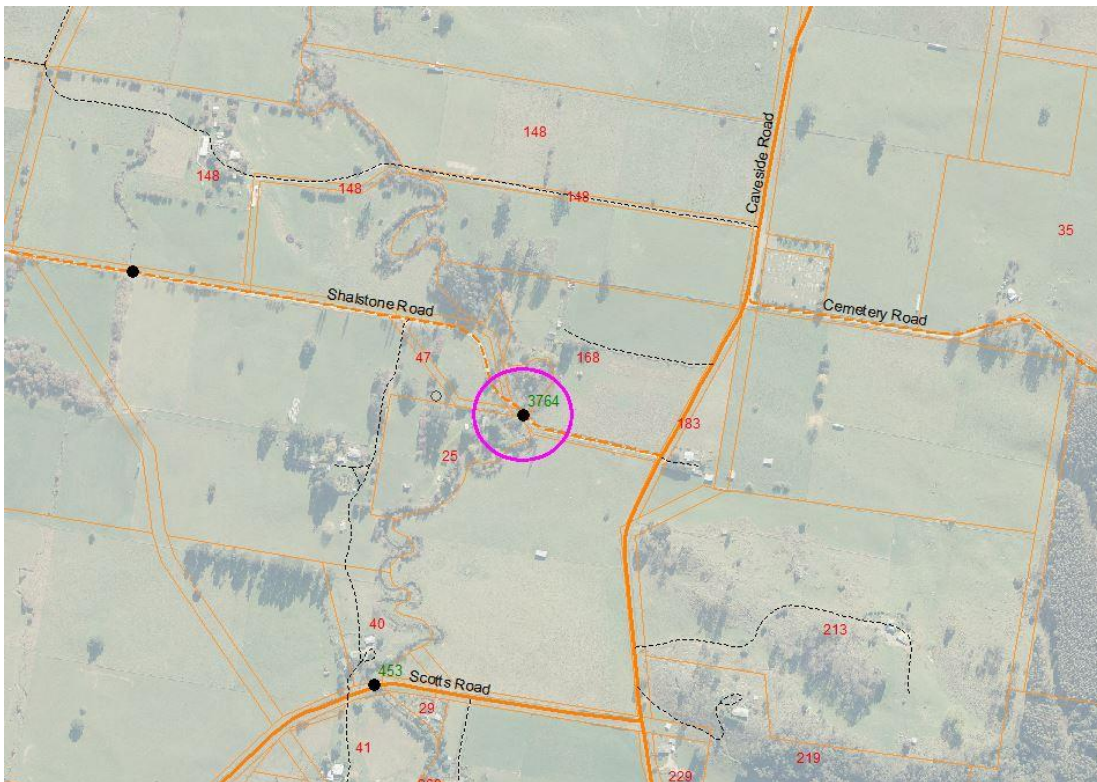
*Image 1 - Quamby Brook, Byes Road - bridge 158*



*Image 2 - Western Creek, Montana Road - bridge 2162*



*Image 3 - Western Creek Tributary, Cheshunt Road - bridge 3471*



*Image 4 - Mole Creek, Shalstone Road - bridge 3764*





*Image 5 - Chittys Creek, Reiffers Road -bridge 4296*



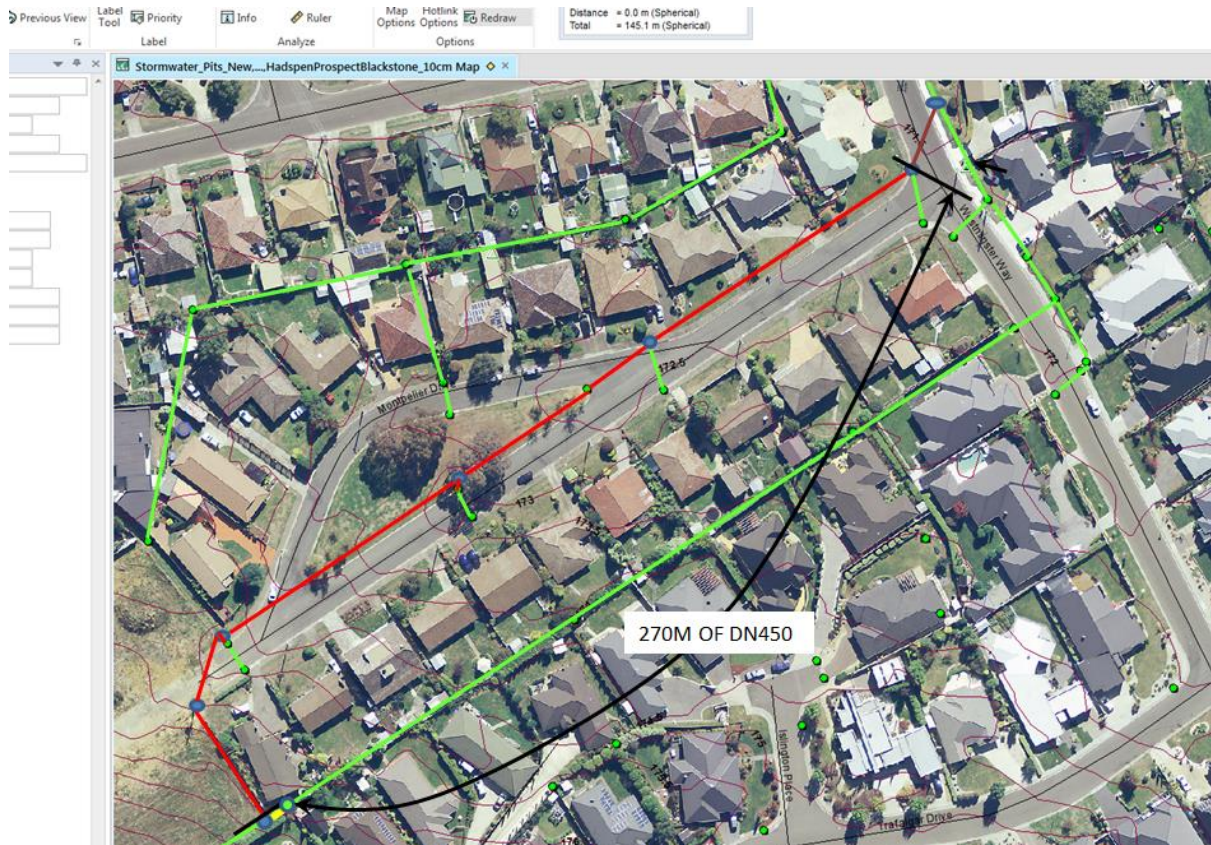
*Image 6 - Coiler Creek Tributary, Brooklyn Road - bridge*

Urban Stormwater Drainage – Montpelier Drive, Prospect Vale

Recent stormwater modelling work has identified capacity issues in Council’s network in Hadspen and Prospect Vale. The proposed Montpelier Drive project will mitigate flooding risks to properties up to a 1 in 20 year rainfall event. The existing underground drainage network does not cater for a 1 in 5 year event without the flooding of properties occurring. It is proposed that a new pipe is constructed in Montpelier Drive, as shown by the red line

in the image below, which will effectively divert half of the upstream catchment from the existing drainage system at the rear of properties on the south side of the road.

The proposed new subdivision to the west will be drained to Mount Leslie Road with the exception of a small number of allotments entering the Montpelier Drive catchment. It is not possible to divert existing flows direct to Mount Leslie Road through the new subdivision due to the topography.



**AUTHOR:** Dino De Paoli  
DIRECTOR INFRASTRUCTURE SERVICES

## 12) Recommendation

*It is recommended that Council approve the following Capital Works Programme for 2015-2016:*

# Capital Works Programme

2015/2016

**DRAFT**



**Meander Valley Council  
2015/2016 Capital Works Programme**

**SUMMARY - RECOMMENDED JOBS**

**1.0 ADMINISTRATION**

100.1 INFORMATION TECHNOLOGY

Carry Over	Renewal	New / Upgrade	Total Estimate
\$114,000	\$46,000	\$4,000	\$164,000
<b>\$114,000</b>	<b>\$46,000</b>	<b>\$4,000</b>	<b>\$164,000</b>

**2.0 ROADS, STREETS & BRIDGES**

201.1 FOOTPATHS  
201.2 ROAD RECONSTRUCTION & UPGRADE  
201.3 ROAD RESURFACING:  
    Gravel Resheeting  
    Reseals  
    Asphalt  
210 BRIDGE RECONSTRUCTION

\$224,000	\$230,000	\$530,000	\$984,000
\$437,000	\$1,085,000	\$675,000	\$2,197,000
\$0	\$300,000	\$0	\$300,000
\$0	\$750,000	\$0	\$750,000
\$0	\$400,000	\$0	\$400,000
\$0	\$1,047,000	\$0	\$1,047,000
<b>\$661,000</b>	<b>\$3,812,000</b>	<b>\$1,205,000</b>	<b>\$5,678,000</b>

**3.0 HEALTH, COMMUNITY & WELFARE**

314 EMERGENCY SERVICES  
315 CEMETERIES  
321 TOURISM & AREA PROMOTION  
335 HOUSEHOLD WASTE DISPOSAL  
351 URBAN STORMWATER DRAINAGE  
381 FAMILIES AND CHILDREN

\$0	\$40,000	\$0	\$40,000
\$0	\$0	\$15,000	\$15,000
\$0	\$35,000	\$0	\$35,000
\$0	\$20,000	\$0	\$20,000
\$201,000	\$61,000	\$550,000	\$812,000
\$0	\$0	\$10,000	\$10,000
<b>\$201,000</b>	<b>\$156,000</b>	<b>\$575,000</b>	<b>\$932,000</b>

**5.0 RECREATION & CULTURE**

505 PUBLIC HALLS & BUILDINGS  
525 RECREATION GROUNDS & SPORTS FACILITIES  
545 SUNDRY CULTURAL ACTIVITIES  
565 PARKS & RESERVES

\$20,000	\$100,000	\$5,000	\$125,000
\$874,000	\$184,500	\$175,500	\$1,234,000
\$0	\$25,000	\$0	\$25,000
\$0	\$55,000	\$0	\$55,000
<b>\$894,000</b>	<b>\$364,500</b>	<b>\$180,500</b>	<b>\$1,439,000</b>

**6.0 UNALLOCATED & UNCLASSIFIED**

655 MAJOR PLANT REPLACEMENT  
675 LIGHT VEHICLE REPLACEMENT  
625 MANAGEMENT & INDIRECT OVERHEADS

\$78,000	\$252,000	\$130,000	\$460,000
\$20,000	\$104,000	\$0	\$124,000
\$0	\$20,000	\$0	\$20,000
<b>\$98,000</b>	<b>\$376,000</b>	<b>\$130,000</b>	<b>\$604,000</b>

**TOTALS**

<b>\$1,968,000</b>	<b>\$4,754,500</b>	<b>\$2,094,500</b>	<b>\$8,817,000</b>
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# Meander Valley Council 2015/2016 Capital Works Programme

## INTRODUCTION

As part of the Asset Management Plan it is necessary to separate works into the following categories:

### **CARRY OVER:**

Funds for projects that were provided in previous capital works programme budgets and have not yet been expended.

### **RECONSTRUCT/REPLACE:**

Replacing like-with-like or providing a similar level of service, for example reconstructing a road to the same width, or replacing a single lane timber bridge with a single lane concrete bridge. In these cases depreciation rates and other costs of ownership may not significantly change and could possibly reduce.

### **NEW/UPGRADE WORK:**

Improving or constructing additional assets or infrastructure where none previously existed or existed at a lower service level. The creation of new assets has an impact on Council's finances from the point of increasing depreciation, as well as operational and maintenance costs.

Upgrades can reduce the total life cycle costs of an asset in the longer term, e.g. road rehabilitation and widening, or replacing a single lane bridge with a two lane bridge. This type of work will have a component of renewal/replacement and a component of upgrade/new.

**Meander Valley Council  
2015/2016 Capital Works Programme**

**1.0 GENERAL ADMINISTRATION**

**100.1 INFORMATION TECHNOLOGY**

			<b>Carry Over</b>	<b>Renewal</b>	<b>New/ Upgrade</b>	<b>Total Estimate</b>
a	Plant and Equipment - Network Hardware	Replacement of network infrastructure	\$15,000	\$0	\$0	\$15,000
b	Plant and Equipment - Computer Hardware	Workstations and peripherals including laptops - 3yr rolling replacement program	\$4,000	\$25,000	\$0	\$29,000
c	Intangible - Computer Software	Software replacement and upgrades	\$60,000	\$0	\$0	\$60,000
d	Plant and Equipment - Printer	A0 Plotter/Scanner		\$11,000	\$4,000	\$15,000
e	Intangible - Computer Software	Conquest Version III	\$35,000	\$10,000	\$0	\$45,000
f						

<b>TOTAL INFORMATION TECHNOLOGY</b>	<b>\$114,000</b>	<b>\$46,000</b>	<b>\$4,000</b>	<b>\$164,000</b>
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<b>TOTAL GENERAL ADMINISTRATION</b>	<b>\$114,000</b>	<b>\$46,000</b>	<b>\$4,000</b>	<b>\$164,000</b>
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## Meander Valley Council 2015/2016 Capital Works Programme

### 2.0 ROADS, STREETS & BRIDGES

#### 201.1 FOOTPATHS

			Carry Over	Renewal	New/ Upgrade	Total Estimate
a	Prospect Vale, Westbury Road	Relocate footpath to kerb due to excessive crossfall. At 376 to 382 Westbury Rd - 80m and 359 Westbury Rd - 60m.		\$70,000	\$0	\$70,000
b	Deloraine, East Parade	Renew footpath - Meander Valley Rd to East Barrack St (LHS) 120m		\$30,000	\$0	\$30,000
c	Westbury, Franklin Street	Renew footpath - Start of Franklin St to Alison Crt (LHS) - 50m		\$15,000	\$0	\$15,000
d	Westbury, King Street	Renew footpath and swale existing open drain - Franklin Street to William Street RHS - 185m		\$95,000	\$0	\$95,000
e	Blackstone, New Footpaths	New Footpaths - (includes \$150,000 from Council & Grant of \$300,000).	\$87,000	\$0	\$450,000	\$537,000
f	Westbury Footpaths	Circuit Trail Route as identified in the Westbury Outline Development Plan		\$0	\$40,000	\$40,000
g	Pedestrian Access Ramps	Various locations		\$10,000	\$10,000	\$20,000
h	Deloraine, Lansdowne Place	Traffic calming at school crossing or relocation of crossing		\$10,000	\$10,000	\$20,000
i	Bracknell, Jane Street	Seal footpath - Henrietta St to Elizabeth St, RHS - 210m		\$0	\$20,000	\$20,000
<i>j</i>	<i>Westbury, William Street</i>	<i>New footpath (gravel) and kerbing - continuation of footpath link from Lyttleton Street to Bass Highway (LHS) 150m</i>	<i>\$37,000</i>	<i>\$0</i>	<i>\$0</i>	<i>\$37,000</i>
<i>k</i>	<i>Hadspen, Meander Valley Road</i>	<i>Pedestrian crossing from Bartley St &amp; Rutherglen (Pending \$100k State Government Contribution on the bridge asset)</i>	<i>\$100,000</i>	<i>\$0</i>	<i>\$0</i>	<i>\$100,000</i>
<b>TOTAL FOOTPATHS</b>			<b>\$224,000</b>	<b>\$230,000</b>	<b>\$530,000</b>	<b>\$984,000</b>

**Meander Valley Council  
2015/2016 Capital Works Programme**

**2.0 ROADS, STREETS & BRIDGES**

**201.2 ROAD RECONSTRUCTION & UPGRADE**

			Carry Over	Renewal	New/ Upgrade	Total Estimate
a	Prospect Vale, Westbury Road	Improvements to Westbury Road as part Transport Study, including - intersection improvements. PN 6276	\$252,000	\$50,000	\$350,000	\$652,000
b	Deloraine, Meander Valley Road	Kerb & channel and footpath renewal - located opposite the Bush Inn		\$60,000	\$20,000	\$80,000
c	Dairy Plains Road	Road Rehabilitation - CH 0.75 to 1.55 - 800m		\$180,000	\$35,000	\$215,000
d	Meander Road	Highland Lakes Rd to Meander Shop. Install thermoplastic line marking, guideposts and trim vegetation - 9km		\$50,000	\$0	\$50,000
e	Dunorlan Road	Road Rehabilitation - CH 0 to 0.3 & CH 0.7 to 1.1 - 700m		\$150,000	\$30,000	\$180,000
f	Westwood Road	Road Rehabilitation CH 2.3 to 3.8 (East) - 1500m		\$260,000	\$65,000	\$325,000
g	Bengeo Road	Road Rehabilitation CH 0.5 to 1.1 - 600m		\$120,000	\$20,000	\$140,000
h	Street Furniture	Renewal of general allocation - priorities to be identified		\$20,000	\$10,000	\$30,000
i	Westbury, Taylor Street	Works in conjunction with Primary School corner improvements		\$20,000	\$20,000	\$40,000
j	Mersey Hill Road	Return sealed section to gravel - CH 1.7 to 2.0 - 300m		\$20,000	\$0	\$20,000
k	Westbury, Marriott Street	Marriott Street - Development of truck route in accordance with Councillor's directive		\$155,000	\$45,000	\$200,000
l	Deloraine, West Church Street	West Church St north of Emu Bay Rd to provide additional spaces for on and off street parking		\$0	\$15,000	\$15,000
l	Carrick, Meander Valley Road	Junction upgrades at East, South and Ashburner St, including filling of existing culverts.		\$0	\$10,000	\$10,000
m	Carrick, Meander Valley Road	Street trees, planting of new trees in Meander Valley Road between East Street and South Street		\$0	\$55,000	\$55,000
n	<i>East Goderich Street</i>	<i>Road upgrade from Lansdowne Place to Pulteney Street (pending contribution from developer)</i>	<i>\$54,000</i>			<i>\$54,000</i>
o	<i>Blackstone Heights, Panorama Road</i>	<i>Drainage and stormwater improvement</i>	<i>\$55,000</i>			<i>\$55,000</i>
p	<i>Prospect Vale, Westbury Road</i>	<i>Cycle Lanes</i>	<i>\$34,000</i>			<i>\$34,000</i>
q	<i>Various Locations</i>	<i>Street Trees</i>	<i>\$42,000</i>			<i>\$42,000</i>

<b>TOTAL ROAD RECONSTRUCTION &amp; UPGRADE</b>	<b>\$437,000</b>	<b>\$1,085,000</b>	<b>\$675,000</b>	<b>\$2,197,000</b>
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**Meander Valley Council  
2015/2016 Capital Works Programme**

**2.0 ROADS, STREETS & BRIDGES**

**201.3 ROAD RESURFACING**

			Carry Over	Renewal	New/ Upgrade	Total Estimate
a	General	Gravel Resheeting		\$300,000	\$0	\$300,000
b	General	Reseals		\$750,000	\$0	\$750,000
c	General	Asphalt		\$400,000	\$0	\$400,000

<b>TOTAL ROAD RESURFACING</b>	<b>\$0</b>	<b>\$1,450,000</b>	<b>\$0</b>	<b>\$1,450,000</b>
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**210 BRIDGE RECONSTRUCTION**

			Carry Over	Renewal	New/ Upgrade	Total Estimate
a	Western Creek, Montana Road	Reconstruction of bridge 2162		\$188,000	\$0	\$188,000
b	Western Creek Tributary, Cheshunt Road	Reconstruction of bridge 3471		\$199,000	\$0	\$199,000
c	Chittys Creek, Reiffers Road	Reconstruction of bridge 4296		\$162,000	\$0	\$162,000
d	Quamby Brook, Byes Road	Reconstruction of bridge 158		\$163,000	\$0	\$163,000
e	Mole Creek, Shalestone Road	Reconstruction of bridge 3764		\$183,000	\$0	\$183,000
f	Coiler Creek Tributary, Brooklyn Road	Reconstruction of bridge		\$152,000	\$0	\$152,000

<b>TOTAL BRIDGE RECONSTRUCTION</b>	<b>\$0</b>	<b>\$1,047,000</b>	<b>\$0</b>	<b>\$1,047,000</b>
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<b>TOTAL ROADS, STREETS &amp; BRIDGES</b>	<b>\$661,000</b>	<b>\$3,812,000</b>	<b>\$1,205,000</b>	<b>\$5,678,000</b>
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**Meander Valley Council  
2015/2016 Capital Works Programme**

**3.0 HEALTH, COMMUNITY & WELFARE**

**314 EMERGENCY SERVICES**

			Carry Over	Renewal	New/ Upgrade	Total Estimate
a	SES	Vehicle changeover		\$40,000	\$0	\$40,000
<b>TOTAL EMERGENCY SERVICES</b>			<b>\$0</b>	<b>\$40,000</b>	<b>\$0</b>	<b>\$40,000</b>

**315 CEMETERIES**

			Carry Over	Renewal	New/ Upgrade	Total Estimate
a	Deloraine, Lawn Cemetery	Installation of new concrete slabs		\$0	\$5,000	\$5,000
b	Deloraine, Lawn Cemetery	Irrigation lawn cemetery		\$0	\$10,000	\$10,000
<b>TOTAL CEMETERIES</b>			<b>\$0</b>	<b>\$0</b>	<b>\$15,000</b>	<b>\$15,000</b>

**321 TOURISM & AREA PROMOTION**

			Carry Over	Renewal	New/ Upgrade	Total Estimate
a	Deloraine, GWTVIC	Partial renewal of external cladding		\$35,000	\$0	\$35,000
<b>TOTAL TOURISM &amp; AREA PROMOTION</b>			<b>\$0</b>	<b>\$35,000</b>	<b>\$0</b>	<b>\$35,000</b>

**335 HOUSEHOLD WASTE DISPOSAL**

			Carry Over	Renewal	New/ Upgrade	Total Estimate
a	Household Waste	Replacement bins		\$20,000	\$0	\$20,000
<b>TOTAL HOUSEHOLD WASTE DISPOSAL</b>			<b>\$0</b>	<b>\$20,000</b>	<b>\$0</b>	<b>\$20,000</b>

**Meander Valley Council  
2015/2016 Capital Works Programme**

**3.0 HEALTH, COMMUNITY & WELFARE**

**351 URBAN STORMWATER DRAINAGE**

			Carry Over	Renewal	New/ Upgrade	Total Estimate
a	Hadspen, Kipling Crescent	Stormwater upgrades		\$0	\$230,000	\$230,000
b	Various locations	Infrastructure constraints, new developments and replacement of deficient pits	\$62,000	\$25,000	\$100,000	\$187,000
c	Prospect Vale, Montpelier Drive	Stormwater upgrades		\$0	\$125,000	\$125,000
d	Deloraine, Meander Valley Road	Stormwater upgrades - located opposite the Bush Inn		\$0	\$75,000	\$75,000
e	Westbury, Taylor Street	Works in conjunction with Primary School corner improvements		\$20,000	\$20,000	\$40,000
f	Various locations	Side Entry Pit replacements		\$16,000	\$0	\$16,000
f	<i>Hadspen, Winifred Jane Crescent</i>	<i>Stormwater upgrades</i>	<i>\$36,000</i>	<i>\$0</i>	<i>\$0</i>	<i>\$36,000</i>
f	<i>Deloraine, Beefeater Street</i>	<i>Road widening and stormwater upgrade, Emu Bay Rd to Moriarty St (works not subject to subdivision development)</i>	<i>\$75,000</i>	<i>\$0</i>	<i>\$0</i>	<i>\$75,000</i>
f	<i>Carrick, Meander Valley Road</i>	<i>Stormwater improvements on Meander Valley Rd</i>	<i>\$28,000</i>	<i>\$0</i>	<i>\$0</i>	<i>\$28,000</i>

<b>TOTAL URBAN STORMWATER DRAINAGE</b>	<b>\$201,000</b>	<b>\$61,000</b>	<b>\$550,000</b>	<b>\$812,000</b>
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**381 FAMILIES AND CHILDREN**

			Carry Over	Renewal	New/ Upgrade	Total Estimate
a	Plant & Equipment	Purchase of enclosed 8' x 5' outdoor equipment trailer		\$0	\$10,000	\$10,000

<b>TOTAL FAMILIES AND CHILDREN</b>	<b>\$0</b>	<b>\$0</b>	<b>\$10,000</b>	<b>\$10,000</b>
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<b>TOTAL HEALTH, COMMUNITY &amp; WELFARE</b>	<b>\$201,000</b>	<b>\$156,000</b>	<b>\$575,000</b>	<b>\$932,000</b>
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**Meander Valley Council  
2015/2016 Capital Works Programme**

**5.0 RECREATION & CULTURE**

**505 PUBLIC HALLS & BUILDINGS**

			Carry Over	Renewal	New/ Upgrade	Total Estimate
a	Chudleigh Hall	Replace flooring in main hall		\$50,000	\$0	\$50,000
b	Carrick Hall	Re-wire hall		\$10,000	\$0	\$10,000
c	Westbury Town Hall	Electrical renewal including upgrade to provide additional capacity for heating demand requirements	\$20,000	\$25,000	\$5,000	\$50,000
d	Rosevale Hall	Re-wire hall		\$15,000	\$0	\$15,000

<b>TOTAL PUBLIC HALLS &amp; BUILDINGS</b>	<b>\$20,000</b>	<b>\$100,000</b>	<b>\$5,000</b>	<b>\$125,000</b>
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**525 RECREATION GROUNDS & SPORTS FACILITIES**

**525.1 SPORTSGROUND IMPROVEMENTS**

			Carry Over	Renewal	New/ Upgrade	Total Estimate
a	<i>Prospect Vale Park</i>	<i>Works associated with PVP Development Plan</i>	<i>\$319,000</i>	<i>\$0</i>	<i>\$0</i>	<i>\$319,000</i>
b	<i>Prospect Vale Park</i>	<i>Main access and parking</i>	<i>\$95,000</i>	<i>\$0</i>	<i>\$0</i>	<i>\$95,000</i>
c	<i>Prospect Vale Park</i>	<i>Construction of new natural play scape and upgrade park furniture</i>	<i>\$160,000</i>	<i>\$0</i>	<i>\$0</i>	<i>\$160,000</i>

**525.2 RECREATION GROUNDS & SPORTS FACILITIES BUILDINGS**

			Carry Over	Renewal	New/ Upgrade	Total Estimate
d	Westbury Recreation Ground Pavilion upgrade	Westbury Rec Ground stage 1 additional funding	\$300,000	\$100,000	\$100,000	\$500,000
e	Deloraine, Community Complex	Refurbish kiosk at Deloraine Community Complex		\$17,000	\$3,000	\$20,000
f	Westbury, Sports Centre	Fit new access door		\$5,000	\$10,000	\$15,000
g	Deloraine, Community Complex	Key, security control and monitoring system upgrade		\$7,500	\$7,500	\$15,000
h	Prospect Vale, Prospect Vale Park	Sports club kitchen upgrade, including medical room		\$55,000	\$55,000	\$110,000

<b>TOTAL RECREATION GROUNDS &amp; SPORTS FACILITIES</b>	<b>\$874,000</b>	<b>\$184,500</b>	<b>\$175,500</b>	<b>\$1,234,000</b>
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**Meander Valley Council  
2015/2016 Capital Works Programme**

**5.0 RECREATION & CULTURE**

**545 SUNDRY CULTURAL ACTIVITIES**

			Carry Over	Renewal	New/ Upgrade	Total Estimate
a	Deloraine, MVPAC	Refurbish female toilets		\$25,000	\$0	\$25,000
<b>TOTAL SUNDRY CULTURAL ACTIVITIES</b>			<b>\$0</b>	<b>\$25,000</b>	<b>\$0</b>	<b>\$25,000</b>

**565 PARKS & RESERVES**

**PARK IMPROVEMENTS**

			Carry Over	Renewal	New/ Upgrade	Total Estimate
a	Various Locations	Replacement of park furniture		\$20,000	\$0	\$20,000
b	Prospect, Las Vegas Reserve	Removal of playground equipment in line with playground review and renewal		\$35,000	\$0	\$35,000
<b>TOTAL PARKS &amp; RESERVES</b>			<b>\$0</b>	<b>\$55,000</b>	<b>\$0</b>	<b>\$55,000</b>
<b>TOTAL RECREATION &amp; CULTURE</b>			<b>\$894,000</b>	<b>\$364,500</b>	<b>\$180,500</b>	<b>\$1,439,000</b>

**Meander Valley Council  
2015/2016 Capital Works Programme**

**6.0 UNALLOCATED & UNCLASSIFIED**

**655 MAJOR PLANT REPLACEMENT**

			Carry Over	Renewal	New/ Upgrade	Total Estimate
a	Plant & Equipment	Plant 620 - Mower replacement		\$30,000	\$0	\$30,000
b	Plant & Equipment	Plant 941 - Truck replacement		\$90,000	\$0	\$90,000
c	Plant & Equipment	Plant 956 - Truck replacement		\$90,000	\$0	\$90,000
d	Plant & Equipment	Plant 965 - Tipper truck replacement		\$42,000	\$0	\$42,000
e	Plant & Equipment	New - Tag trailer		\$0	\$34,000	\$34,000
f	Plant & Equipment	New - Tipper truck & trailer		\$0	\$70,000	\$70,000
g	Plant & Equipment	New - 3 PL Hydraulic blade (Deloraine)		\$0	\$13,000	\$13,000
h	Plant & Equipment	New - 3 PL Hydraulic blade (Westbury)		\$0	\$13,000	\$13,000
i	<i>Plant &amp; Equipment</i>	<i>Plant 925 - 4.5 T Truck</i>	<i>\$60,000</i>	<i>\$0</i>	<i>\$0</i>	<i>\$60,000</i>
j	<i>Plant &amp; Equipment</i>	<i>New - 3 PL Hydraulic blade (Westbury)</i>	<i>\$18,000</i>	<i>\$0</i>	<i>\$0</i>	<i>\$18,000</i>

<b>TOTAL MAJOR PLANT REPLACEMENT</b>	<b>\$78,000</b>	<b>\$252,000</b>	<b>\$130,000</b>	<b>\$460,000</b>
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**675 LIGHT VEHICLE REPLACEMENT**

			Carry Over	Renewal	New/ Upgrade	Total Estimate
a	Light vehicles	Fleet Changeovers	\$20,000	\$104,000		\$124,000

<b>TOTAL LIGHT VEHICLE REPLACEMENT</b>	<b>\$20,000</b>	<b>\$104,000</b>	<b>\$0</b>	<b>\$124,000</b>
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**625 MANAGEMENT & INDIRECT OVERHEADS**

			Carry Over	Renewal	New/ Upgrade	Total Estimate
a	Minor Plant Replacement			\$20,000		\$20,000

<b>TOTAL MANAGEMENT &amp; INDIRECT OVERHEADS</b>	<b>\$0</b>	<b>\$20,000</b>	<b>\$0</b>	<b>\$20,000</b>
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<b>TOTAL UNALLOCATED AND UNCLASSIFIED</b>	<b>\$98,000</b>	<b>\$376,000</b>	<b>\$130,000</b>	<b>\$604,000</b>
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<b>TOTAL 2015/2016 CAPITAL WORKS</b>	<b>\$1,968,000</b>	<b>\$4,754,500</b>	<b>\$2,094,500</b>	<b>\$8,817,000</b>
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**DECISION:**

Councillor x moved and Councillor x seconded *“that pursuant to Section 15(1) of the Local Government (Meeting Procedures) Regulations, Council close the meeting to the public.”*

**ITEMS FOR CLOSED SECTION OF THE MEETING:**

GOV 5                      APPLICATIONS FOR LEAVE OF ABSENCE

Meeting closed.....

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CRAIG PERKINS (MAYOR)