

## 13.2 Approval of the Network Renewal Undergrounding Program Pilot

<b>Location</b>	St James (largely)
<b>Reporting officer</b>	Terry McCarthy
<b>Responsible officer</b>	John Wong
<b>Voting requirement</b>	Simple majority
<b>Attachments</b>	<ol style="list-style-type: none"><li>1. Minister for Energy Announcement re NRUPP 6 February 2020 [<b>13.2.1</b> - 1 page]</li><li>2. Boundary Map NRUPP St James [<b>13.2.2</b> - 1 page]</li><li>3. Western Power NRUPP Presentation [<b>13.2.3</b> - 14 pages]</li><li>4. Signed Memorandum of Understanding - NRUPP St James [<b>13.2.4</b> - 6 pages]</li><li>5. Draft Co- Funding Agreement with Western Power for NRUPP St James [<b>13.2.5</b> - 28 pages]</li><li>6. Indicative Programme for NRUPP St James [<b>13.2.6</b> - 1 page]</li></ol>

### Recommendation

That Council:

1. Resolves to proceed with the implementation of the St James Network Renewal Underground Pilot Program (NRUPP) and the Chief Executive Officer to advise Western Power and the City of Canning accordingly.
2. Authorises the Mayor and the Chief Executive Officer to execute on behalf of the Town, the Co-Funding Agreement with Western Power to implement the St James Network Renewal Underground Pilot Program, which includes a commitment by the Town to meet the cash call requirements detailed in that Agreement on the deferred basis agreed to by Western Power.
3. Resolves to impose a service charge of \$2,300 per connection on the owners of properties within the St James NRUPP project area which do not have an existing underground power connection from the property boundary to the meter box at the property.
4. Requests the Chief Executive Officer to provide a further report to Council detailing any proposed borrowing to fund the payment of cash calls to Western Power.
5. Resolves that the owners of subject properties within the St James NRUPP project area be given the option of paying the service charge over a period of seven years, subject to an interest charge and/or administration fee to recover the Town's borrowing costs.
6. Notes that the service charge will be included in the schedule of fees and charges in the draft budget for 2021/2022.

### Purpose

The purpose of this report is to seek Council endorsement to proceed with the St James NRUPP and to advise Western Power and the City of Canning (part of which also forms part of the project area) accordingly.

### In brief

- St James, within the Town of Victoria Park was selected along with part of the City of Canning to be offered an area in the Western Power Network Renewal Underground Pilot Program (NRUPP).

- NRUPP is a pilot Western Power initiative that has identified four project areas across the Perth Metropolitan Area, including St James, Scarborough, Eden Hill and Hilton for a renewal of their ageing assets. The project is similar to the State Underground Power Program (SUPP) in the sense that it replaces and upgrades existing overhead infrastructure with more reliable underground infrastructure and new street lighting in accordance with Australian Standards. However, the pilot project areas have been selected on the basis of the criticality of their aging infrastructure and the requirement for a significant amount of maintenance and replacement works that would ordinarily be undertaken as a part of Western Power's overhead maintenance program. In short, instead of renewing/replacing the existing "poles and wires" within the pilot areas, Western Power is seeking to underground that infrastructure, whilst seeking a financial contribution (via the Town) from some property owners who do not already have an underground connection within their property to support the costs of that aspect of the project.
- Elected Members were informed of the NRUPP via the Portal on 12<sup>th</sup> of February 2020 and feedback on the program sought prior to a Memorandum of Understanding being signed by the Chief Executive Officer.
- Since being briefed on the NRUPP, significant economic impacts in relation to COVID-19 have been felt across the Nation and State. Prior to determining to proceed with St James NRUPP, Council is requested to support the proposed funding and cost recovery options.
- Subject to Council approvals, construction of the St James NRUPP would be undertaken between February 2021 and September 2022.

## Background

1. On the 18 February 2020, the Minister for Energy announced the trial of a new funding model by Western Power to enable the upgrade of sections of their overhead network in specific areas where significant asset replacement and maintenance works are required.
2. The benefits of retrofitting underground power in areas serviced by overhead distribution cables are well known and include the ability to allow street trees to develop to more mature sizes and assist with greater tree canopy within the area and contribute to reduction of global warming in accordance with the aims and strategies of the Urban Forest Strategy.
3. Western Power identified four specific areas and approached five local governments for their Network Renewal Underground Pilot Program (NRUPP) being:
  - a) Eden Hill (Town of Bassendean)
  - b) Scarborough (City of Stirling)
  - c) Hilton (City of Fremantle and City of Cockburn)
  - d) St James (Town of Victoria Park and City of Canning)
4. The Town of Victoria Park's section of St James as outlined in the 'NRUPP Boundary Map' is included as Attachment 1 of this report.
5. An email/memo was uploaded to the Elected Members Portal on 12 February 2020 to advise Elected Members on the NRUPP. An NRUPP feedback item was uploaded to the Elected Members Portal on 24 March 2020 prior to a Memorandum of Understanding being signed by C-Suite on 31 March 2020
6. The current selection process for the State Underground Power Program (SUPP) ranks areas nominated by local governments based on alignment of projects with Western Power's network priorities, the share of project funding to be contributed by local governments (between 50% - 90%) and the level of community support for projects.

7. The Retrospective Undergrounding Projects (RUP) are similar to the SUPP, in that the area is nominated by the local governments and the approval rating from the property owners in the area is used to access community acceptance. The RUP projects are fully funded by local government.
8. The NRUPP projects are a new approach to underground power through asset renewal. Western Power's Grid Transformation team determines an NRUPP project boundary (which is not determined by local government boundaries, as it is for SUPP and RUP), with areas of the network selected that require significant maintenance and renewal to the overhead assets. Western Power select these areas by considering the next 50-year period, to both maintain the security of the network and allowing for future technologies and network capabilities. The evaluation for NRUPP uses a risk and opportunity profile for the selection process.
9. For NRUPP, Western Power covers the cost of the network infrastructure costs up the pillar (green dome), whilst the underground consumer main costs (cable from pillar to house) are covered by the local government and in turn the property owners.
10. As the St James NRUPP project would be in conjunction with the City of Canning, an agreed communications strategy between the City of Canning and the Town of Victoria Park will ensure an essential uniform message to the St James property owners. However, the information supplied to the relevant property owners will be presented differently by each local government on their websites and in their direct communication to allow the Town of Victoria Park and the City of Canning to outline their different payment options to their relevant property owners.
11. The current projected construction start date from Western Power for St James NRUPP is between November 2020 and April 2021.
12. The Town of Victoria Park has been advised by Western Power that only properties that require the undergrounding of power from within the property boundary to the relevant dwelling will incur the service charges. Western Power has advised that an E10 estimated (i.e. an estimate which could be subject to rise or fall of 10% dependent on tender submissions from contractors) service charge of \$2,203 will apply to each property without an existing underground connection. The service charge will apply to 676 properties within the Town and within the project area. If a property has an existing underground connection to the dwelling from a mini pillar or a uni pillar (green dome) or service pole within the property boundary where such is serviced by the current overhead network, they will not be required to contribute to the project.
13. Western Power has advised that the Town will be required to contribute an E10 estimated amount of \$1,489,228 (676 properties at \$2,203 each). How the Town raises the contribution is a matter for the Town to determine. Western Power has agreed that three cash calls consisting of \$500,000 due 28 March 2021, \$500,000 due 28 September 2021 and \$489,228 due 28 March 2022 can be deferred for 12 months, thus becoming due on 28 March 2022, 28 September 2022 and 28 March 2023. It is anticipated that the total sum of the cash calls payable to Western Power will be raised from service charges to be applied to the relevant properties.
14. As per previous underground power projects, eligible pensioners and seniors are entitled to rebates on underground electricity service charges as determined by the State Government, as per the guidelines set below:
  - a) Holders of Pensioner Concession Card, State Concession Card or a Commonwealth Seniors Health card with a WA Seniors Card, will be entitled to receive either up to 50% rebate or full deferral on underground electricity charges.
  - b) Holders of a WA Seniors Card, who do not hold a Commonwealth Seniors Health Card, will be entitled to receive a single \$100 rebate on underground electricity charges for the first year only of the scheme.

## Strategic alignment

Civic Leadership	
Strategic outcome	Intended public value outcome or impact
CL03 - Well thought out and managed projects that are delivered successfully.	<p>The key benefits of underground power are:</p> <ul style="list-style-type: none"> <li>• Improved public safety</li> <li>• Improved reliability and security</li> <li>• Improved street appearance</li> <li>• Improved street lighting to current Australian Standard</li> <li>• Increased property value</li> <li>• Reduction in street tree pruning</li> <li>• Lower life-cycle costs</li> <li>• Improved opportunity for emerging technologies</li> </ul>
CL06 – Finances are managed appropriately, sustainably and transparently for the benefit of the community.	<p>Service charge E10 estimates have been provided by Western Power. As the estimates are plus or minus 10%, it is recommended that residents be advised that the service charge will be \$2,300 per relevant property in order to allow any minor increase in the actual charge.</p> <p>Western Power has advised that all administrative costs applicable to communication with residents and collection of service charges will be the responsibility of the Town as the Town's contribution to the project.</p>

Social	
Strategic outcome	Intended public value outcome or impact

S03 - An empowered community with a sense of pride, safety and belonging	The implementation of the project will ultimately lead to a better lit, greener and more welcoming streetscape benefiting community safety, health and wellbeing.
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Environment	
Strategic outcome	Intended public value outcome or impact
EN07 - Increased vegetation and tree canopy.	By undergrounding and removing overhead powerlines there will be more opportunity to plant trees and provided growth for the canopy to increase without the limitation of power lines heights. This will coincide with the goals set out by the Urban Forest Strategy and help to ensure they are met.

## Engagement

Internal engagement	
Stakeholder	Comments
Finance	Dependent on the number of property owners who wish to extend payment of the service charge over a number of years, Finance has advised that it may be necessary to source funds to meet the cash call commitments. It is proposed that a further report will be presented to Council detailing any proposed borrowing from WA Treasury Corporation or other appropriate lending authorities to fund the payment of cash calls to Western Power.
Operations	Operations will have little direct input during the construction phase apart from issue of traffic management permits and ensuring that reinstatement is carried out to acceptable standard.
Communications	Members of the Town's Communications team have been involved in meetings with Western Power and will formulate means of conveying detail about the project to stakeholders.
Elected Members	An email/memo was uploaded to the Elected Members Portal on 12 February 2020 to advise Elected Members on the NRUPP. An NRUPP feedback item was uploaded to the Elected Members Portal on 24 March 2020. Western Power made a presentation to Elected Members at a Concept Forum held 26 May 2020, where details of the NRUPP project were provided.

Other engagement	
Stakeholder	Comments
Western Power	On the 18 February 2020, the Minister for Energy announced the trial of a new funding model by Western Power to place overhead distribution power lines underground. Western Power has had several meetings with Town staff together with City of Canning staff to determine and agree the location of primary equipment (ground level transformers and switchgear boxes). Western Power is currently finalising electrical design of the project area.
City of Canning	City of Canning staff have had several meetings with Town staff to discuss a coordinated approach to the project, as it covers areas in both the Town and the City. The City of Canning Council has resolved at its Ordinary Council Meeting held 21 April 2020 to proceed with the St James NRUPP project. The City resolved to proceed prior to being advised by Western Power of the E10 estimate of the service charge applicable to the relevant properties.
Residents	Owners of properties within the project area have to date not been advised of the details of the project. If Council agrees to proceed with the project, it is planned to advise all owners of properties within the project area, regardless of

whether they will be affected by a service charge, of the details of the project. It is also planned to coordinate advice letters with the City of Canning so that property owners in the two local government areas receive non-conflicting information.

The City of Canning has offered to host a public information forum to which Town residents will be invited. Western Power has agreed to have representatives at the proposed forum, which will be held in accordance with social distancing protocols.

Information, including Frequently Asked Questions, about the project will be posted on the Town's website.

## Legal compliance

*Local Government Act 1995. Section 6.38(1)*

[http://classic.austlii.edu.au/au/legis/wa/consol\\_act/lga1995182/s6.38.html](http://classic.austlii.edu.au/au/legis/wa/consol_act/lga1995182/s6.38.html)

*Local Government (Financial Management) Regulations 1996. Regulation 54.*

[http://classic.austlii.edu.au/au/legis/wa/consol\\_reg/lgmr1996434/s54.html](http://classic.austlii.edu.au/au/legis/wa/consol_reg/lgmr1996434/s54.html)

## Risk management consideration

Risk impact category	Risk event description	Consequence rating	Likelihood rating	Overall risk level score	Council's risk appetite	Risk treatment option and rationale for actions
Financial	Not Applicable					
Environmental	Not Applicable					
Health and safety	Not Applicable					
Infrastructure/ ICT systems/ utilities	Not Applicable					
Legislative compliance	Not Applicable					
Reputation	There may be negative feedback from owners of properties within SUPP6 project areas who may question why property owners within the NRUPP project are	Moderate	Likely	High	Low	TREAT risk by providing to those property owners from within SUPP6 project areas who query the level of NRUPP service charges with all details of the

	receiving the same outcome at a much lower cost, in some cases there being no cost at all.	NRUPP project including information that NRUPP is driven by Western Power due to the infrastructure requiring replacement.
Service delivery	Not Applicable	

## Financial implications

<b>Current budget impact</b>	Sufficient funds exist within the annual budget and from funds drawn from the project budget to address this recommendation.
<b>Future budget impact</b>	<p>This report proposes a subsequent report will be presented detailing any proposed borrowing to fund the payment of cash calls to Western Power.</p> <p>Western Power has indicated that the Town's contribution towards the project will be in the form of meeting all administrative costs incurred in issuing tax invoices to owners of relevant properties and meeting the cash call requirements outlined. The Town will also be responsible for providing information to property owners within the project area. These costs can be accommodated in future budget allocations.</p> <p>The proposed service charge of \$2,300 per property will be listed in the schedule of fees and charges for the draft 2021/22 Annual Budget. As with SUPP6, these ratepayers will be given the option to pay this service charge over a seven year term, subject to an interest charge to recover the Town's borrowing costs.</p>

## Analysis

7. The NRUPP project proposed for St James, covering parts of both the Town and the City of Canning, is Western Power initiated. It is a pilot program and if successfully delivered, along with 4 other pilot programs, may form the genesis of a new underground power methodology. The pilot projects have been brought about by the necessity for Western Power to replace aging infrastructure within the project areas. Western Power developed a business model which indicated that for relatively small additional cost the aerial power cables can be placed underground. Western Power will install street cables underground and supply cables to each property boundary. There will be a cost recouped by Western Power in the form of cash calls from local governments to cover the cost of installation of underground cables within those properties which do not have an underground cable from the property boundary to the meter box.
8. The proposed NRUPP project will cost over \$15million and will be carried out at no direct cost to the Town. The only costs the Town will incur will be administration costs, communications and distribution of project information to stakeholders and costs incurred in collection of service charges on subject properties. The project will make a significant impact on reducing the area of the Town currently



served by overhead distribution power lines by conversion of an area of 1.18 square kilometres. This represents 6.7% of the Town's area, which is 17.62 square kilometres.

9. The NRUPP project is very different to the current and previous State Underground Power Projects (SUPP). In the NRUPP pilot projects local governments are not required to contribute towards the cost of undergrounding Western Power infrastructure. The only contribution required from local governments is to cover the cost of installation of underground cables within those properties which do not have an underground cable from the property boundary to the meter box. SUPP is based on a minimum local government contribution of 50% of the total project cost and projects are selected on a competitive basis with local governments offering in some cases to meet up to 90% of the total project cost.
10. A survey of property owners within the NRUPP project area to seek community support for the project is not required as property owners will not be contributing towards the cost of undergrounding Western Power infrastructure. There will obviously be an impact on property owners who will be required to pay the proposed service charge. It is proposed to consult with all property owners to advise details of the project and applicable service charges after Council has considered this report.
11. The Western Power E10 project budget for the St James NRUPP project is \$15,588,932, inclusive of the project areas within both the Town of Victoria Park and the City of Canning. Of this amount Western Power will contribute \$13,040,061, Town of Victoria Park will contribute \$1,489,228 through service charges on relevant properties and similarly City of Canning will contribute \$1,059,643 through service charges on relevant properties.
12. The E10 estimate for connection of individual properties which have an existing internal overhead power supply is \$2,203 per property. It is recommended that each relevant property owner be advised that the service charge to be applied will be approximately \$2,300. A variation from the E10 estimate of \$2,203 to \$2,300 per property represents an increase of 4.4% from the estimate and will allow for some minor variation in the cash call amounts required taking into consideration that the estimated service charge is E10, i.e. subject to variation of plus or minus 10%. The variation will also allow for some coverage of administration and communications costs to be incurred by the Town and which will not be recompensed by Western Power. It is probable that the owners of some properties, with an existing overhead connection will have applied for subdivision since the assessment of existing connections, or may apply for subdivision prior to implementation of the project. The developers of those properties will, as a condition of subdivision approval, be required to fund the installation of an underground connection and therefore will not be required to pay a service charge as part of the project. This will have a minor reduction impact on the number of properties that will be subject to the service charge. City of Canning officers have agreed that a recommendation will be put to City of Canning Council that each relevant property owner within the City of Canning area of the project be advised that the service charge to be applied will be approximately \$2,300. The E10 estimate of \$2,203 for connection of individual properties which have an existing internal overhead power supply was delivered to the Town on Thursday 13 August 2020.
13. It is proposed that the owners of subject properties within the St James NRUPP project area be given the option of paying the service charge over a period of seven years, subject to the addition of a small interest charge and administrative fee, in a similar manner to the service charge imposed in the SUPP6 projects.
14. For comparison purposes, property owners not within a SUPP or NRUPP project area who wish to convert an overhead supply to an underground supply would incur charges substantially higher than the proposed NRUPP service charge of \$2,300. All such conversions require a detailed estimate from Western Power to supply an underground cable to the property boundary. These estimates are individually assessed and generally range from \$3,000 to \$4,000 for typical properties. Additionally, the property owner is required to engage an electrical contractor to install an underground cable from the



property boundary to the meter box. Once again, these charges are costed individually by electrical contractors and are generally in the order of about \$2,000 for typical properties.

15. There are 676 properties within the Town's portion of the project area which have an existing overhead power connection within the property boundaries. There are 1,069 properties within the Town's portion of the project area.
16. The service charge will not apply to vacant land as no underground power cable will be laid within vacant private land.
17. It is recommended that all properties with an existing overhead power connection are charged the same flat rate service charge of \$2,300 per property. Where a property is in proximity to transmission lines, in this project along Hill View Terrace, there is no discount applicable to those properties as the owners of those properties are not contributing towards the undergrounding of the street infrastructure. The service charge will be applied to each relevant property as a whole, whether it is a commercial property, a single dwelling or multiple dwellings or units on the property.
18. This pilot program offers the opportunity for a large area of the Town to have overhead power lines placed underground at no cost to the Town apart from administration costs involved in collecting service charges and carrying out consultation with affected property owners. If the project does not proceed Western Power will replace the existing overhead power lines with more overhead power lines and there will be no future opportunity for the Town to have those power lines placed underground unless the Town does so at its own cost.
19. In addition to overhead powerlines being undergrounded, Western Power also replaces all lighting infrastructure in the project area with new poles utilising LED luminaires. The new lighting infrastructure is designed to meet Australian Standard 1158 – Lighting for Roads and Public Spaces. Many streets in the identified project area currently do not meet this standard.
20. Lighting and night time safety were identified as significant community priorities in the most recent Community Perception Survey implemented by the Town. Areas in the Town that have gone through an Underground Power process have resulted in improved lighting as the infrastructure has been brought up to meet Australian Standards. It is anticipated that this project will see similar results with improved lighting installed throughout the project area.
21. There will likely be some complaints from property owners within current SUPP project areas that property owners within the NRUPP project area are receiving what appears to be an identical product at a much lower cost. A Frequently Asked Questions summary, with answers, will be developed to provide information on the basic differences in the projects.
22. The City of Canning has offered to hold a joint public information session at the City of Canning for the benefit of affected property owners within both the Town of Victoria Park and the City of Canning. It is proposed that officers of the Town will attend the proposed public information session. The Town will also carry out consultation with all property owners within the Town portion of the NRUPP project area.
23. If Council authorises the execution of the Co-Funding Agreement with Western Power to implement the St James NRUPP project, the indicative programme provided by Western Power has scheduled construction to commence in February 2021 and be completed in September 2022. Engineering design is scheduled to be completed in September 2020 and a contract to carry out the works to be awarded and signed in January 2021.
24. The St James NRUPP project will be an important infrastructure project within both the Town and the City of Canning and is a preferable option to Western Power replacing the infrastructure with overhead power lines. If new overhead power lines were to be installed, the subject area would be unlikely to qualify for inclusion in a SUPP project within the foreseeable future.

## Relevant documents

Not applicable.

## Further consideration

Following the Agenda Briefing Forum held on 1 September 2020 the following additional information is provided:

*Have I read the report correctly that the recommendation is that we progress with the St James Pilot program before arranging with affected residents?*

19. Correct. The Town plans to undertake communications at an "inform" level if Council endorse the proposal as outlined in the "other engagement" section of the report.