



Government of Western Australia
Department of Finance
Public Utilities Office

State Underground Power Program

Major Residential Projects

Round Six Guidelines

Department of Finance | Public Utilities Office

December 2015

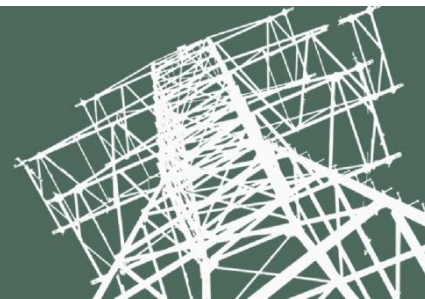


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1 Purpose of these Guidelines

The Government of Western Australia has invited local governments to submit project proposals for Round Six of the State Underground Power Program (the Program).

These Guidelines have been developed to:

- assist local governments in preparing and submitting project proposals (proposals); and
- outline the process used to select projects to be implemented under the Program.

These Guidelines reflect the priorities of the State Government, experience gained in previous funding rounds and the findings of a review of the Program.

The Program comprises two streams: Major Residential Projects and Localised Enhancement Projects. These Guidelines only apply to Round Six Major Residential Projects.

To be considered for funding under Round Six of the Program, project proposals submitted under previous rounds must be updated and re-submitted by the respective local government to satisfy the new criteria contained within these Guidelines.

2 Revised Program Arrangements

2.1 New Project Funding Arrangements

2.1.1 Local Government Funding Contribution

For Round Six of the Program, local governments will nominate the proportion of project funding they are willing to pay. The minimum contribution from local governments will be 50 per cent.

Project proposals offering a greater contribution share will receive a higher score in the selection process and be more competitive.

This arrangement will allow for more projects to be implemented within the approved Program budget. It will also better align funding contribution shares with the proportionate benefits received by Program participants. This approach is consistent with the findings made by the Economic Regulation Authority in a report titled *Inquiry into State Underground Power Program Cost Benefit Study* (the Inquiry Report).¹

2.1.2 Western Power Funding Contribution

Western Power's project funding contributions will vary according to the costs that it avoids through undergrounding of distribution systems. These avoided costs are determined through the New Facilities Investment Test and are reviewed by the Economic Regulation Authority under the *Electricity Networks Access Code 2004* (the Code). This approach is consistent with the findings of the Economic Regulation Authority in its Inquiry Report.²

The New Facilities Investment Test is established under the Code and provides a method to assess the justification of each new network augmentation and the efficiency of proposal expenditure. It is the measure used to determine whether Western Power is following good business practice in efficiently minimising its capital investments to meet forecast demand.

¹ Economic Regulation Authority, *"Inquiry into State Underground Power Program Cost Benefit Study"*, 30 September 2011, page xvii.

² Ibid.

Horizon Power is not subject to the Code and does not use the New Facilities Investment Test. If a submission is received that relates to Horizon Power's electricity network, the specific circumstances relating to the project will be used to determine Horizon Power's project funding contribution.

2.1.3 Determining Contribution Amounts

Funding requirements for each project will be determined by the following sequence:

- Local governments will contribute between 50 and 100 per cent of the project cost as specified in the project proposal.
- Western Power's project funding contributions will vary according to the project costs that meet the New Facilities Investment Test.
- Where the sum of the local government contribution and the Western Power contribution exceeds 100 per cent of the expected project value, the Western Power contribution will reduce by the amount that exceeds 100 per cent.
- The remaining balance (if any) will be provided by the Government of Western Australia through the Department of Finance, Public Utilities Office.

A total cost cap of \$11 million will be applied to individual project funding to maximise the number of projects the Program is able to deliver. If a project will cost more than this amount, the local government will be required to pay 100 per cent of the additional costs.³

2.2 New project Selection Criteria

In previous funding rounds, proposals were ranked and selected according to their ability to improve network reliability. Under the new arrangements for Round Six, the project selection process will use three selection criteria:

- Alignment of projects with Western Power's network priorities.

The network priorities criterion will target projects that assist in addressing risk posed by the electricity network by replacing ageing infrastructure and advancing scheduled maintenance to the distribution system.

- Share of project funding to be contributed by local governments.

The larger the share of project funding offered above 50 per cent, the more competitive a proposal will be in the selection process.

- Level of community support for projects.

The level of community support for projects will be determined by a survey of property owners in a proposal area. The greater the level of community support above 50 per cent, the more competitive a proposal will be in the selection process.

Section 4 provides more information about the evaluation and selection of proposals.

3 Preparation and Submission of Project Proposals

3.1 Cost of Preparing Proposals

Local governments are responsible for the cost of preparing and submitting proposals. The Department of Finance (Public Utilities Office), Western Power and the Western Australian

³ The cost estimates that are available to local governments when preparing project proposals can assist in identifying whether a project will exceed the \$11 million cap.

Local Government Association will not be liable for any charges or costs incurred by participating local governments.

3.2 Process to Submit Project Proposals

To reduce administrative costs to local governments, less information will be required for Round Six project proposals than for previous funding rounds.

In preparing and submitting proposals, local governments should note the following requirements and information:

- Proposals must be lodged via Tenders WA (electronic submission preferred): <https://www.tenders.wa.gov.au>.
- Local governments must register on the Tenders WA website before they can submit project proposals.
 - The registration process should be completed before the date specified in the letter sent to local governments advising that Round 6 has commenced.
 - Local governments not registered by this date will not receive an invitation to submit a project proposal from Tenders WA.
- Local governments should use the template available from the Tenders WA website when preparing proposals and ensure they provide all of the information required in the template.
 - The template outlines the information required.
 - Accessing the template via Tenders WA will enable local governments to be notified of any addenda or changes to submission requirements that may occur.
 - Appendix A of this document provides further information on the format and timing of submissions.
- Submissions must be received by the closing time specified in the notice from Tenders WA requesting project proposals.
 - To ensure the process is fair, late submissions will not be accepted by Tenders WA, regardless of whether they are delivered by hand, electronically or by post.
 - To eliminate any doubt, the time received will be the time and date recorded upon receipt by Tenders WA.
- Local governments should familiarise themselves with the submission process well before the closing time and seek further information from Tenders WA if required.
- Any proposal that does not contain all the information requested may be classified as incomplete. While incomplete proposals may not be automatically disqualified, they may be assessed wholly on the information contained in them at the time of submission.

3.3 Timetable

The expected timetable for submission, selection and development of Round Six Major Residential Projects is:

- | | |
|---|-----------------------|
| • Deadline for lodgement of project proposals | 31 March 2016 |
| • Evaluation of project proposals completed and announcement of Short List | August 2016 |
| • Detailed proposal stage for the first short-listed Major Residential Projects commences | September 2016 |

- Commencement of first Major Residential Project **March 2017**
- Completion of first Major Residential Project (other projects will follow according to project schedules). **March 2018**

3.4 Enquiries and Clarifications

Enquiries relating to the use of Tenders WA should be directed to:

Procurement Systems Support
Telephone: (08) 6551 2020

Enquiries regarding any part of these Guidelines should be directed to:

Executive Officer, State Underground Power Program
Telephone: 08 6551 1000
Email: supp.executiveofficer@finance.wa.gov.au

Every attempt will be made to respond to enquiries at least five business days prior to the closing time for project proposals. Late requests for clarification (i.e. less than five days prior to the submission date) may not be addressed.

Enquiries relating to the application of technical criteria to a specific nominated area will be referred to Western Power. Responses to these enquiries will be kept confidential and not disclosed to parties outside of the local government making the enquiry, Western Power, the Evaluation Team and the State Underground Power Steering Committee⁴.

Responses addressing any general point of clarification related to the Program and selection process may be posted as addenda on the Tenders WA website. The identity of the originator of the clarification request will remain confidential. In order to receive addenda of this nature, **local governments must access all Program related documents via the Tenders WA website.**

4 Evaluation and Selection of Project Proposals

4.1 Transparent and Efficient Selection Process

The Steering Committee is committed to ensuring that the selection of project proposals is transparent and efficient for all parties.

The Public Utilities Office, on behalf of the Steering Committee, has engaged an independent probity auditor to monitor and advise on the selection process.

All documentation relating to the selection of proposals will be controlled by the Public Utilities Office and held in a secure and restricted access environment.

4.2 Representation Made by the Steering Committee

The Steering Committee does not make any representation or provide any undertaking to local governments in relation to project proposals submitted.

Project proposals that are submitted are not guaranteed funding.

⁴ The Underground Power Steering Committee (the Steering Committee) is responsible for managing the Program, and is comprised of representatives from the Department of Finance (Public Utilities Office), Western Power and the Western Australian Local Government Association.

4.3 Overview of the process

An Evaluation Team comprising representatives from the Department of Finance (Public Utilities Office), Western Power and the Western Australian Local Government Association will evaluate proposals.

The evaluation method used by the Evaluation Team to assess proposals is summarised in the following sections.

Figure 1 illustrates the process for project selection and development of Major Residential Projects under Round Six of the Program.

4.4 Compliance Assessment

Before the selection process commences, all proposals will be assessed to ensure they meet the following mandatory requirements.

- Only one submission for each proposal area is allowed.⁵
- The proposal should contain 500 to 800 property allotments.⁶
 - Proposals outside this range may be considered under exceptional circumstances⁷.
 - Consideration of proposals outside this range under exceptional circumstances will be at the discretion of the Steering Committee.
- The proposal area must be predominantly zoned residential.⁸
- The proposal must be endorsed by the local government Mayor/ President **and** Chief Executive Officer.
- The proposal must provide details of the approach the local government will use to fund its contribution towards project costs. Further information about funding strategies is provided in Appendix B.

Proposals that do not meet the above requirements will be excluded from the selection process.

4.5 Evaluation of Proposals

A two staged evaluation process will be followed:

1. The Evaluation Team will rank proposals based on the network priority and local government funding contribution criteria.
2. The highest ranked proposals will then undergo a community support survey.

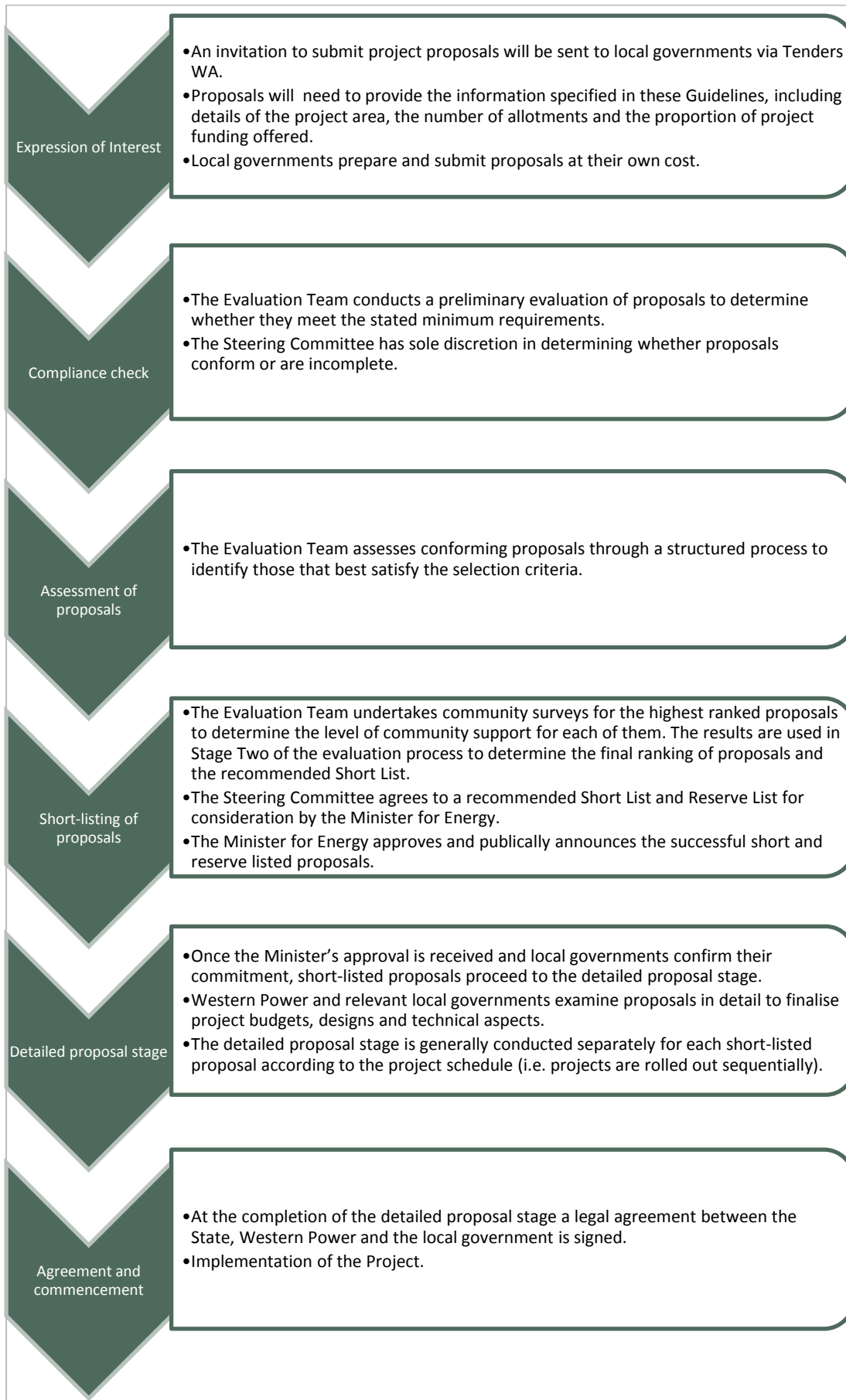
⁵ Local governments cannot submit proposals that overlap or proposals for the same area that have differing funding contribution offers. Should more than one proposal be received, the submission offering the highest contribution share will be evaluated.

⁶ This requirement applies to allotments and not properties. It is common for some allotments to contain more than one property.

⁷ An exceptional circumstance could occur where a small area of the overhead distribution system might remain after a project.

⁸ The proposal should not include large shopping centres, industrial estates or commercial estates. A minimum of 93 per cent of the proposal area allotments must be zoned residential – based upon the number of allotments not the area they cover.

Figure 1 - Project selection and development process



4.6 Stage One Evaluation

4.6.1 Network Priority

The network priority criterion will prioritise proposals for areas that offer larger improvements to electricity network security.

Local government submissions will be assessed using a Network Risk Management Tool that has been developed by Western Power. This tool is continually updated with electricity network data and currently focuses on the condition and location of electricity poles and related equipment.

The Program will provide a score for each proposal area that will be used for ranking purposes. Those proposals that offer the greatest benefits to the network will receive the highest network priority score.

The total score for each proposal will be an aggregate of the scores for individual network assets.⁹ Project proposals that cover a larger area will have more network assets and are likely to have a larger total score. To enable a better comparison between proposals, an average asset score will be calculated for each proposal.

The average asset score will then be converted to a network priority criterion score out of 50. The process for converting the average asset score into the network priority criterion score will be as follows:

- The total asset score for the proposal area from the Network Risk Management Tool will be divided by the number of network assets for the proposal area to give a proposal average asset score.
- The highest score from the above process will be allocated a score of 50.
- All other proposals will be given a score out of 50 in accordance with the following formula:

$$(Proposal\ average\ asset\ score / highest\ proposal\ average\ score) \times 50 = x\ points$$
- In the case of two proposals having the same point score for network priority, the total asset score for the proposal areas will be used to rank one above the other.

Local governments can request maps that indicate which parts of the electricity network in a local government area will have a higher network priority score. This can assist in selecting proposal areas that are more competitive.¹⁰ This process is voluntary.

Requests for network priority maps must be directed to the Executive Officer, State Underground Power Program, using the information request form available from the Tenders WA website.

To ensure that all requests can be accommodated, the availability of this service will cease four weeks before the closing time for submissions.

4.6.2 Local Government Funding Contribution Offer

Local government proposals must include the percentage of project costs they are offering to pay.

⁹ For the purpose of project selection, network assets are power poles and related equipment.

¹⁰ The network priority maps provide a relative indication of network priorities within a local government area. The network priority levels in one local government area may not correlate with levels indicated in maps for other local government areas.

The contribution share must be at least 50 per cent of project costs. Project proposals that offer to pay a greater percentage of project costs will receive a larger funding contribution score in the selection process.

Each proposal will receive a score out of 25 calculated as follows:

$$(Funding\ contribution - 50)\% \times 0.5 = x\ points$$

For example, a local government funding contribution offer of 68 per cent will be awarded 9 points as shown in the following formula:

$$(68-50)\% \times 0.5 = 9\ points$$

It is acknowledged that local governments choosing the share of project costs they will pay is new to the Program and some local governments may find it challenging to link a contribution share bid in a proposal to an estimated cost. Obtaining an estimate of the total cost of a proposal will assist with this process.

One approach for estimating a total proposal cost is to multiply an average cost per allotment by the number of allotments in a proposal. For Round Five projects (to date), the minimum, maximum and average cost per allotment has been about \$9,500, \$13,000 and \$11,000 respectively. After allowing for inflation an estimated average of \$12,500 per allotment could be used for this purpose.

Local governments can also request an estimate of the total cost of a proposal (prepared by Western Power). The cost estimates must be requested through the Executive Officer, State Underground Power Program. To ensure that all requests can be accommodated, there will be a limit of five cost estimates per local government and the availability of this service will cease four weeks before the closing time for submissions.

Requests for cost estimates must include a map that clearly indicates the proposal area boundaries and property allotments. Information on ground conditions and any planned major works or developments in the proposal area will assist with the estimation process.

Local governments should endeavour to align proposal boundaries with electricity infrastructure. For example, both sides of a street are usually serviced by the same power line and therefore should be included in a proposal. It has been common in the past for proposal boundaries to require adjustment during the project development process and this can influence project costs and the results of community support surveys.

Western Power will utilise a model it has developed that uses project variables (technical and non-technical cost escalators) to provide preliminary estimates of project budgets. Western Power holds or will obtain the necessary information and data on ground conditions in proposal areas and other parameters that are required for this process.

During the cost estimation process Western Power will review proposal boundaries and may recommend changes to align with electricity infrastructure. Any such changes will be kept to a minimum and will only be recommendations. Local governments can then take this information into consideration when finalising project proposals.

There are many factors that influence project costs that cannot be allowed for in the cost estimation process. Local governments must accept all risks associated with the use of the cost estimates provided by Western Power. These factors include cost increases over time, unknown ground conditions (including suitability for drilling) and factors that affect contractor access and operation in a proposal area.

Local governments should note that submitting information about a proposal to obtain a cost estimate is a separate process to submitting a formal project proposal. This process cannot substitute the submission of a formal proposal.

4.6.3 Stage One Proposal Ranking

The score for the funding contribution criterion will be added to the score for the network priority criterion to obtain a total Stage One score for each proposal. Each proposal will then be listed from highest score to lowest score.

If a large number of proposals are received, the lowest scoring proposals might not undergo Stage Two evaluation. This is because only a limited number of proposals will be selected for the Short List and Reserve List and the cost of further evaluation of less competitive proposals (including community survey costs) is not warranted.

4.7 Stage Two Evaluation – Community Support

While the Program is popular with property owners, there are some that express dissatisfaction with contributing towards project costs. For technical reasons, individuals are not able to opt out of an underground power project in their area. To minimise the number of people affected in this manner, projects will be targeted to areas that have a higher level of community support.

The Evaluation Team will conduct a survey of property owners located in the areas subject to proposals that remain under consideration after the Stage One evaluation.

Given the high level of competition between proposals and the importance of obtaining an accurate indication of project support, an independent survey specialist company will be engaged to perform the surveys and a standard survey format will be used.¹¹

The Evaluation Team may consult with Western Power to review the boundaries of each proposal for alignment with electricity infrastructure before the survey is conducted, if this has not occurred previously. Where changes are required, the relevant local government will be consulted to confirm its acceptance of the revised boundary changes.

Local governments will be asked to provide names and addresses to the survey company to enable the survey to be sent to property owners.¹² It is recognised that this information is confidential and mechanisms will be implemented to ensure the information is kept secure.

Local governments must cooperate with the Evaluation Team in preparing information for the survey and its circulation to property owners or proposals may be excluded from further consideration.

Properties owned by the State Government and participating local governments will be excluded from the survey so the results are not influenced by these organisations. It is assumed the applicant local government supports the proposal and State Government agencies that own land in the proposal area support the State Government's underground power program.

The survey will include an estimate of the average amount property owners will be asked to contribute towards each project. Western Power will use its cost estimation model and information in the proposal submission (including the number of properties in the proposal area) to calculate this estimate.

For a proposal to be considered for short-listing or reserve-listing, the community survey must show that at least 50 per cent of property owners who respond support paying the estimated cost to get undergrounding power.

The proportion of community support that is greater than 50 per cent will be used to determine the scoring for the community support criterion in accordance with the following formula. Each proposal will receive a score out of 25 calculated as follows:

¹¹ Survey return rates and the confidence level of the survey results will be analysed in the community support survey report.

¹² Only one survey will be sent per property.

$$(Community\ support - 50)\% \times 0.5 = x\ points$$

For example, community support of 82 per cent will be awarded 16 points as shown in the following formula:

$$(82 - 50)\% \times 0.5 = 16\ points$$

4.8 Evaluation of Proposals Connected to Horizon Power Networks

The Program is open to proposals for areas connected to the Western Power and Horizon Power electricity networks. However, the Program does not normally receive Major Residential Project proposals relating to Horizon Power’s electricity network. Should this occur, the evaluation process will be modified to allow consideration of those proposals.

The compliance assessment process outlined in Section 4.4 will apply but the network priority criterion evaluation will vary, as Horizon Power does not have a network priority assessment process that aligns with Western Power’s Network Risk Management Tool. A network priority score will be determined in consultation with Horizon Power.

If a proposal achieves a sufficient score to move to the community survey stage of evaluation, the availability of Horizon Power funding will be confirmed and an estimate of the cost of the proposed project calculated.

An estimate of the local government funding contribution amount will then be determined (based on the funding contribution share offered in the proposal) and this will enable estimates of property owner contributions to be included in the survey.

All other aspects of the proposal evaluation and selection process will be as outlined for proposals related to Western Power’s electricity network.

It is recommended that local governments liaise with Horizon Power when preparing project proposals, so that it can provide an indication of the network priority of the proposal and the availability of funding before a proposal is finalised.

4.9 Final Ranking of Proposals

Once the community support surveys have been completed and scores allocated, each of the three selection criteria scores will be combined to produce overall scores. The overall scores will determine the final ranking of each proposal that is evaluated in Stage Two.¹³

The final proposal ranking and selection will be based upon a score between zero and 100 points as follows:

- Network priority score maximum score 50
- Local government funding contribution score maximum score 25
- Community support score maximum score 25

The Evaluation Team will then prepare an evaluation report that will include recommended proposals for a Short List and a Reserve List. The evaluation report will be presented to the Steering Committee for endorsement prior to being forwarded to the Minister for Energy for consideration.

Upon approval of the Short List and Reserve List by the Minister for Energy, local governments with short-listed proposals will be invited to develop detailed proposals in consultation with Western Power and the Steering Committee.

¹³ Less competitive proposals might not be surveyed (Section 4.6.3).

Successful short-listed proposals reaching the detailed proposal stage will be publicly announced following the Minister for Energy’s consideration of the evaluation report and recommendations.

Reserve List proposals will only be considered if Program funding remains available after all Short List proposals have been undertaken or withdrawn from the Program.

Unsuccessful local governments will be given the opportunity to be debriefed on their proposals after the evaluation process has been finalised.

4.10 Further Information

The Steering Committee and the Evaluation Team may base their evaluation only on the information provided in project proposals, but reserve the right to seek further clarification to verify claims made in proposals. This may be undertaken at any time during the evaluation through, for example, structured interviews or written questions.

If there is a major deficiency in information provided to support any claim against the evaluation criteria, or matters being considered during the detailed proposal stage, the proposal may be declined by the Steering Committee.

4.11 Communication of Outcomes

Local governments should note the Steering Committee may release to the Minister for Energy and publically, details relating to short-listed and reserve-listed proposals.

5 Detailed Proposal Stage – Finalisation and Approval of Projects

Only local governments with proposals that are on the Short List will be invited to participate in the detailed proposal stage.

The detailed proposal stage involves Western Power and the relevant local government undertaking detailed design and cost analysis of a proposal to finalise the project boundaries, budget and technical elements.

The detailed proposal stage is conducted separately for each short-listed project according to the Program schedule. As the commencement of short-listed projects is spread over several years, the detailed proposal stage for the last short-listed project may not commence until several years after the selection process is completed.

Once projects have met all of the requirements of the detailed proposal stage, the Steering Committee will recommend their implementation to the Minister for Energy. Formal agreements that define the respective roles, responsibilities and obligations of all parties will then be developed for successful projects.

Proposals only become approved projects and allocated funding once a project agreement is signed by all parties.

Further information on the detailed proposal stage requirements is provided in Appendix B.

6 General Program Requirements

It is important that all local governments understand and agree to the conditions and requirements below, prior to submitting project proposals:

- The Program is a partnership between the State Government, Western Power and local governments. Local governments are represented on the Steering Committee by the Western Australian Local Government Association.
- Projects that are approved for implementation are centrally managed by the Western Power Underground Power Projects Area on behalf of the Steering Committee.
- Participating local governments must comply with all of the Steering Committee's project planning, scheduling and management requirements.
 - The coordinated management of projects is crucial to delivering the best possible outcomes to all participants.
 - Local governments that are unable or unwilling to cooperate with this process are advised to not submit proposals for Round Six.
- Local governments with successful projects are required to enter into a formal project agreement with the State Government and Western Power.
 - Each party to a project agreement may invoice the project for in-kind costs as specified in these Guidelines (Appendix C).
- The State will only fund the retrospective conversion of distribution lines to underground power supply. Undergrounding of transmission lines is not eligible for Program funding (Appendix D).
- Local governments wishing to incorporate improvements outside the basic scope of undergrounding projects, such as enhanced street lighting, will bear the full additional cost of those improvements. Similarly, Western Power will bear the full additional cost of any electricity network upgrades that are outside the scope of the project.
- Local governments must advise property owners during the project that consumer's mains cables installed as part of the project become the responsibility of the relevant property owner and are not the property of Western Power (Appendix E).

Appendix A – Submission of Project Proposals

Project proposals must be received in full by Tenders WA prior to the closing time specified in the notice requesting project proposals.

If a local government (the Respondent) submits a project proposal (proposal) electronically (the preferred format), then the Respondent must ensure that the electronic copy of the proposal is less than or equal to 20 megabytes and in one of the following file formats and extensions:

.doc*	.docx*	.pdf#	.txt	.rtf	.ppt*	.xls*
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* Microsoft Compatible

Adobe Compatible

NB: Zipped Files Acceptable

If the Respondent submits the proposal electronically, the Respondent agrees that:

- receipt of the proposal will be determined by the date and time shown on the electronic tender lodgement service receipt issued or, if no receipt is issued, the date and time the Tenders WA computer records that the proposal was received;
- if the electronic copy of the proposal contains a virus then, notwithstanding any disclaimer made by the Respondent in respect of viruses, the Respondent must pay to the Program Steering Committee or the Department of Finance all costs incurred by the Steering Committee or the Department of Finance arising from, or in connection with, the virus;
- lodgement of electronic files may take time and the Respondent must make its own assessment of the time required for full transmission of its proposal;
- neither the Steering Committee nor the Department of Finance will be responsible in any way for any loss, damage or corruption of the electronic copy of the proposal;
- if the electronic copy of the proposal becomes corrupted, illegible or incomplete as a result of transmission, storage, encryption or decryption, then the Steering Committee or the Department of Finance may request the Respondent to provide another copy of the proposal either electronically or in hard copy or both;
- if the Steering Committee or the Department of Finance requests the provision of another copy of the proposal, then the Respondent must:
 - provide the copy in the form or forms requested within the period specified by the Steering Committee or the Department of Finance;
 - provide a statutory declaration that the copy is a true copy of the proposal that was electronically submitted by the Respondent and that no changes to the proposal have been made after the initial attempted electronic submission; and
 - provide a copy of the electronic tender lodgement service receipt for the initial attempted electronic submission.

The Respondent may submit a proposal by hand at:

Tendering Services
 Optima Centre
 16 Parkland Road
 OSBORNE PARK WA 6017

The Respondent may submit the proposal by post at:

Tendering Services
Locked Bag 11
OSBORNE PARK BC WA 6916

If the Respondent submits the proposal by hand or post, the Respondent must provide one (1) hardcopy and one (1) electronic copy on CD. Both the hardcopy and the CD must be marked with the Respondent's name and the State Underground Power Program.

It is the Respondent's responsibility to ensure that all copies submitted (including the electronic copy) contain the same information and that no information has been omitted from any one of the copies. Where information has been omitted from any one of the copies, the Respondent must bring this omission to the attention of the Executive Officer of the State Underground Power Program.

Appendix B – Detailed Proposal Stage Requirements

The detailed proposal stage involves Western Power and the relevant local government examining proposals and developing them further to finalise project budgets and technical arrangements.

Local governments should note that short-listed project proposals are not approved for implementation. Local governments must satisfy all of the requirements of the detailed proposal stage before a proposal can proceed.

The detailed proposal stage will include the following requirements:

- The project must demonstrate that it will deliver benefits to the network in relation to improving network security, upgrading ageing infrastructure and reducing maintenance costs. Proposals must pass Western Power’s New Facilities Investment Test.
- The project design and boundaries must be finalised, and there must be funding available to cover the project budget.
 - This includes liaison with local governments regarding positioning of equipment, design and costing of street lighting.
 - Agreement must be reached regarding the treatment of any direct costs to the local government or Western Power for any parts of the project that are considered additional to replacing the original electricity supply and street lighting.
- The participating local government must confirm that it has strategies to secure its share of the project budget over the life of the project.
- The participating local government must provide evidence that it has strategies in place to maintain community support for the life of the project.
- There must be an agreement between all parties on the process for cash calls and other matters relating to account management.
- All matters related to boundaries shared with other local governments must be resolved and the boundaries must be accurately mapped to enable ratepayers and residents to identify if their properties are included in the project.
- The relevant local government will be required to provide the best available information on all underground services infrastructure in the project area to Western Power to ensure these services are accounted for during the detailed design phase. This will include plans for water and storm water drains, and gas and telecommunication services.

Further information on these points is provided below.

Demonstrated Ability of the Local Government to Meet Its Share of Project Costs

Local governments must provide in project proposals sufficient detail on the way project funding will be recouped from property owners. Project funding arrangements will be finalised during the detailed proposal stage.

It is the responsibility of each local government to determine its financial arrangements for projects and to respond to any associated community enquiries.

Based on Program experience, local governments might consider:

- raising part of the local government contribution from the general rate base in recognition of reduced tree pruning costs and general improvement to amenity of the local government area; and

- where funding is raised from property owners in the proposal area:
 - it should be in accordance with the *Local Government Act 1995*;
 - discounts may be offered to owners of properties adjacent to transmission lines (33,000 volts or more) that will not be placed underground (State Government and Western Power funding will only apply in relation to undergrounding local distribution lines as outlined in Appendix D);
 - discounts should be offered to owners of properties where the electricity supply connection is already underground;
 - discounts may be offered to owners of properties that do not receive the full amenity benefit from the project, such as where a transformer, switchgear or an interface with the overhead network is located on the front verge;
 - special consideration may be given to owners of commercial properties, non-rateable properties and where there are multiple connections on one allotment;
 - measures may be offered to assist affordability of underground power charges, such as offering extended payment plans to property owners; and
 - rebates should be offered to pensioners and concession card holders in accordance with the Pensioners and Seniors Rebate Scheme.
 - Local governments must consult with the Office of State Revenue to ensure arrangements are made in accordance with the *Rates and Charges (Rebates and Deferments) Act 1992*.

The Western Australian Treasury Corporation can provide loans to assist with project funding. The Local Government Borrowing Kit provides more information. Enquiries can be directed to the Corporation's client services team at csoperations@watc.wa.gov.au.

The arrangement of a loan, payment of interest and repayment of the principal, will be the responsibility of the local government.

Final Project Boundaries

In the detailed proposal stage, project boundaries will be finalised and a detailed design and cost estimate prepared. This will include streetlight design.

While the review of proposal boundaries during the cost estimation and project selection processes should minimise the need for proposal boundary changes, minor changes may be identified during the detailed proposal stage.

Local governments are responsible for consulting with affected property owners regarding these changes.

The Steering Committee must approve all changes to proposal boundaries. Unless there are extenuating circumstances, the Steering Committee will only accept changes that are within a +/- 10 per cent range in the proposed scope of work.

Non-equivalent Direct Costs to Local Governments and Western Power

The Program has an "equivalence" policy. This means that projects replace an overhead distribution service with an equivalent underground service of standard design. Projects will include reasonable enhancements considering the condition and adequacy of the existing electricity system, current technical requirements and reasonably anticipated growth. Projects will not include other distribution network upgrades or transmission system undergrounding, reinforcement or redesign. Appendix D provides further details.

Each party shall be responsible for the costs of any agreed extra project requirements that are not standard equivalent design. For example, decorative streetlight columns or Western Power network reinforcement.

Streetlight Design and Cost

Street lighting arrangements will be finalised during the detailed proposal stage. Local governments may elect to have Western Power street lighting or private street lighting installed.

Western Power Streetlights

Streetlights funded as part of the project will use Western Power standard powder coated poles and luminaires that will provide lighting levels to Australian Standards.

Enhanced street lighting, such as the use of decorative poles/luminaires or increasing the light levels to a higher Australian Standard category, may be installed at an additional cost to the local government.

Increasing light levels will incur greater tariff charges for street lighting; and decorative lighting will require a separate contract prior to the project agreement being signed.

Private Streetlights

If a local government elects to install privately procured lighting, a contribution to the cost of this lighting may be made from the project budget, if there is existing Western Power lighting. The amount of this contribution is equivalent to the costs incurred if Western Power standard powder coated poles and luminaires were used to match the existing lighting levels.

Typically, the local government will be responsible for managing the installation of private street lighting.

“Boundary” Interaction with Other Local Governments

The Steering Committee may agree to expand the scope of a project to include a street contiguous to the project boundary that is in an adjacent local government district.

This is subject to the Steering Committee being satisfied that suitable arrangements are in place between the local government that is a party to the underground power project agreement and the adjacent local government.

Evidence of consultation with affected property owners is required and confirmation in writing from the adjacent local government of agreement to project arrangements (including funding arrangements) is required prior to project implementation.

The adjacent local government will not be a party to the underground power project agreement.

Community Support

Due to the passage of time or changing circumstances, a local government may be required to conduct a survey of property owners during the detailed proposal stage to provide evidence that it has continuing community support¹⁴ and to validate the extent to which the community is prepared to pay for the project.

¹⁴ Evidence of continuing support will be if a clear majority of property owners, who respond to the survey, are in support of the project.

The survey must be conducted under arrangements approved by the Steering Committee, unless the Steering Committee waives this requirement. The State will not proceed with proposals that do not demonstrate adequate support from the local community.

The local government must implement a consultation and education program, including the provision of public information on the project. This process will require care and sensitivity, particularly where the local government plans to raise the bulk of its funds from directly affected property owners.

Participating local governments will have primary responsibility in consulting with property owners and residents throughout the detailed proposal stage. However, all communications need to be aligned with the practices and policies of the Program and be formally approved by the Steering Committee (or its nominated representative).

Participating local governments may approach the Steering Committee for assistance in designing and implementing a community consultation program.

Local governments will need to consult with property owners and residents regarding the location of equipment (including transformers, switchgear and street lights) on verges and sign-off that the final location of equipment is acceptable to all parties.

Western Power will provide advice to local governments on how to conduct this process in order to meet the requirements of the Steering Committee.

Local governments must also commit to undertaking a post project survey of property owners to measure the overall success of a project within an agreed timeframe. The survey must be in the standard format approved by the Steering Committee to enable a comparison across projects.

Project Agreements

A joint project agreement between the State Government, Western Power and/or Horizon Power and the local government will be provided for signing by all parties. This will formalise the project scope of works, the funding commitments and responsibilities for the parties and the general terms and conditions of the agreement.

Appendix C – Project Payments and In-kind Costs Incurred by Parties to Approved Projects

Project Payments

The parties to each project agreement will contribute their respective share of costs in cash in accordance with an agreed “cash call” schedule.

Local governments should note that the Program Manager shall (based on approved budgets and anticipated expenditure) make cash calls in respect of each project on the relevant parties every two months or as agreed by the parties to the project agreement.

Each party shall contribute its share of a cash call within 14 days and all such monies received shall be held by Western Power for and on behalf of the parties to the project.

Eligible In-kind Costs

Eligible costs are reasonable direct project costs incurred by any party to the project agreement. Subsequent to the agreement, these costs are categorised into direct labour, direct materials, general costs and project management costs.

Every two months the local government is to invoice its progressive project “in-kind” costs, as determined using these Guidelines. These invoices are to be verified by the Project Accountant and approved by the Program Manager (as defined in the relevant project agreement).

The in-kind cost provision is included in the project budget, based on local government reasonable estimates.

Direct Labour

Direct labour includes project specific hours worked by employees of a party. This can be estimated as a proportion of their total hours and will need certification from a senior officer/manager of that party.

Direct Materials

Direct materials are any material reasonably used on the project. Overheads cannot be applied to non-inventory direct purchase materials used on the project.

General Costs

These include:

- project newsletters to residents;
- underground power charges preparation and notification (excluding software);
- relevant consultant fees during the project implementation;
- reinstatement costs;
- post project surveys; and
- streetlight inspections.

Project Management Costs

These include labour and overhead material costs for:

- program management;
- design of the new underground network;
- contract establishment;
- material management;
- engineering;
- project management, contract administration and site supervision;
- quality management; and
- accounting services and public consultation.

Ineligible In-kind Costs

Computer Hardware, Software or Software Development

Computer and software costs are ineligible in-kind costs and cannot be claimed.

Costs Prior to Agreement

Administration or consultancy costs prior to signing a project agreement, such as preparing the project proposal and associated community surveys are ineligible in-kind costs. Project management costs for the detailed proposal stage may become eligible once a project agreement has been signed.

Non-equivalent extra Costs

Non-equivalent extra costs include extra project costs that are not associated with standard equivalent design, such as non-standard street lighting, system enhancements or reinforcement.

Value for Money

Parties are required to justify that the best value for money for the project has been achieved in incurring the expenses being claimed as in-kind costs where other alternatives are available to carry out the activity.

Any dispute on this matter is to be resolved by the Steering Committee. As part of the audit process, efficiencies of carrying out certain activities may be compared against similar activities carried out elsewhere. The intent is to strive for best practice.

Approved Overheads

Project agreements provide for a 93 per cent overhead on base direct labour (includes annual leave, long service leave, public holidays, payroll tax, retrospective pay, sick leave, superannuation, workers' compensation, insurance, fringe benefits tax, operational expenses and corporate support costs) and 10 per cent on direct materials. There are no overheads applicable to general in-kind costs, non-inventory items and consultancies.

Process to Submit Local Government Claims

A template is available to the local government from the Project Accountant to enable reporting of direct labour, direct materials, general costs, project management costs and overheads.

This is to be submitted with an invoice to the Project Accountant by the third working day of every second month for approval and inclusion in the monthly project business report.

Periodic Local Government In-kind Cost Reviews

During the project the Project Accountant undertakes periodic reviews with an officer nominated by the local government. All queries are to be resolved prior to the next review.

At the end of the project the Program Manager and the senior representative of the local government will be required to sign-off on the total approved in-kind costs. The Project Accountant reserves the right to conduct a full audit of project claims.

Commencement and Termination Dates

Local government in-kind costs are incurred from the date of project agreement signing with eligibility ceasing on the practical completion date. If justified by the Program Manager beforehand, reasonable in-kind costs incurred after practical completion may be claimed against the special 12-month warranty fund

Further Information

If any further information is required, please contact the Project Accountant on telephone (08) 9411 2806 or at SUPP@westernpower.com.au.

Appendix D – Replacing Transmission Infrastructure

Introduction

This Appendix identifies stakeholder and funding matters associated with interfaces between Program distribution and transmission systems and establishes Western Power’s position in respect to responsibility and funding.

Background

The Program has an ‘equivalence’ requirement to underground the distribution system only. Additional transmission system work outside this distribution system equivalence policy is not funded by the Program.

The three main transmission system areas affected are:

- transmission overhead lines;
- transmission lines stayed on distribution poles; and
- overhead transmission pilot cables.

Transmission Overhead Lines

Transmission overhead lines are at or above 33,000 volts and form the interconnections between zone substations and terminal stations. In some cases, parts of the transmission and distribution systems share structural features.

Undergrounding of Transmission Lines

Although it would be preferable to underground transmission lines in a project area, prohibitive costs exclude this from the Program scope of work. The local government concerned may provide at its discretion partial rebates to property owners affected by overhead transmission lines remaining after the completion of the project.

Re-spacing Transmission Poles

Transmission overhead lines have in some instances had the bay distance reduced to facilitate the distribution network on a common pole. This has resulted in a substantial number of additional poles being installed.

Once the overhead distribution network is removed, local governments may wish to remove intermediate poles and/or re-space pole bays to improve the aesthetic appearance of the areas concerned. However, similar to undergrounding of transmission lines, the removal and re-spacing of transmission pole bays is outside of the underground project scope.

In both cases, the local government is directed to Western Power for direct negotiations to establish costs and timing. The local government concerned will need to take the additional costs into account when explaining the project to stakeholders and determining charges to property owners.

Transmission Line Pole Staying

Once the underground system is operational, all of the redundant overhead distribution system is removed. Where this removal creates a structural problem with the transmission system (for example pole staying), the Program funds all remedial work, which may include:

- retaining existing distribution poles for support; or

- establishing alternate staying arrangements.

The local government must consult with affected property owners and agree to the arrangement for supporting transmission poles before a distribution system will be removed.

Overhead Transmission Pilot Cables

Transmission pilot cables are part of the transmission control system. Pilot cables are often reticulated overhead and share overhead distribution assets.

Replacement of overhead transmission pilot cables with equivalent underground pilot cables is included in the standard project agreement and is fully funded by the Program.

Summary

Program funding will include transmission interfacing needs such as retaining existing distribution poles for support, establishing alternate staying arrangements and re-establishing pilot cable networks.

Non-Program associated transmission system work should be arranged separately and be fully funded by local governments. Local governments should include information on any planned changes to transmission networks in project proposals so that Western Power can provide advice on the feasibility of the proposed works and cost estimates.

Appendix E – Consumer Mains

It is acknowledged that at some premises in the project area a connection pillar (typically covered with a green plastic dome) and a consumer's mains cable (typically an underground cable connecting the premises to the connection pillar) may already be installed.

The Program Manager will take into account a pre-existing underground connection pillar and consumer's mains for any premises in the project area in the design of the project and the project budget, if those pre-existing works meet current electrical standards and requirements.

The local government should recognise any savings to the project and costs as a result of an applicable premise, by giving the owner a suitable discount on the underground power charge payable to the local government. In each case, the amount of the discount will be determined by the local government in consultation with the Steering Committee, and in accordance with the local government's proposal.

Local governments must also advise property owners during the project that consumer's mains cables installed as part of the project become the responsibility of the relevant property owners and are not the property of Western Power.

Further enquiries

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State Underground Power Program

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