



Submission to the Productivity Commission

Review of the Australian Government's Relationship with Standards Australia Limited and the National Association of Testing Authorities

**Response to the Productivity Commission Issues Paper
of March 2006**

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1. Summary.

The Energy Networks Association (ENA) welcomes the opportunity to comment on the Productivity Commission Review of the Australian Government's relationship with Standards Australia Limited and the National Association of Testing Authorities, Australia.

The Energy Networks Association (ENA) is the peak national body representing gas and electricity distribution businesses throughout Australia. Electricity transmission businesses are Associate Members and are full and active participants in the ENA asset management policy agenda.

Since its formation in January 2004, ENA has had a policy objective of supporting a nationally consistent approach and a common framework for safety and technical regulation in gas & electricity through Australian Standards and ENA Industry Guidelines.

ENA believes the Ministerial Council on Energy agreement to transfer economic regulation of energy distribution to the new Australian Energy Regulator (AER) by 1 January 2007, may also trigger a major rethink on the national consistency of technical and safety regulation.

Standards Australia is a key ally and major stakeholder of the Energy Networks Association and is integral to the ENA policy agenda of national consistency for safety and technical regulation in gas & electricity.

ENA is represented by 114 individual members on a range of Standards Australia committees and many members represent ENA on more than one committee. Standards Australia has 248 individual positions for ENA on 122 Standards Australia committees and subcommittees.

Standards Australia and the Energy Networks Association signed an agreement on 19 December 2005 to formalise the ENA Standards development and publication process. The purpose of the agreement is to promote a nationally consistent approach to the development and enforcement of technical and safety standards in the energy industry.

There are four different types of Guidelines and Standards that are used by ENA members for technical and safety regulation:

1. Company Guidelines.
2. Jurisdictional documents.
3. ENA Industry Guidelines.
4. Australian Standards.

2. Recommendations:

1. That the Australian Government supports the ENA policy of outcomes or performance based Standards, rather than a prescriptive approach to developing Standards.
2. That the Australian Government allows specific funding to employ occasional external expert advisors to assist with the wide scope of work of Standards Committees.
3. That the Australian Government supports a nationally consistent approach and a common framework for safety and technical regulation in the gas & electricity industries, through Australian Standards and ENA Industry Guidelines.
4. That the Australian Government use the Council of Australian Governments (CoAG) process to promote Australian Standards and Industry Guidelines as a way of encouraging national consistency of technical and safety regulation by state and territory governments.
5. That the Australian Government recognise through funding the critical nature and extent of the workload to support Australian membership and represent Australian interests on the International Organization for Standardization (ISO) and the International Electrotechnical Commission (IEC).
6. That Standards Australia be funded adequately that would allow them to take a broader view on UK and North American practices when formulating Australian standards.
7. That it is in the national interest to have an accountable and national system of measurement through accredited laboratories and jurisdictional regulations should refer to the use of accredited laboratories to demonstrate product conformance to technical and safety requirements.
8. That the Australian Government supports a strong and increasing role for government funding of Standards Australia, especially in the area of funding for critical technical expertise and advice.

3. Scope.

The Energy Networks Association (ENA) welcomes the opportunity to comment on the Productivity Commission Review of the Australian Government's relationship with Standards Australia Limited and the National Association of Testing Authorities, Australia.

The scope of this submission will predominantly focus on issues concerning Standards Australia.

This submission follows the general points raised in the Issues Paper and will address the four specific areas under review.

- a. The efficiency and effectiveness of standards setting and laboratory accreditation services in Australia.
- b. The appropriate role for the Australian Government in relation to standard setting and laboratory accreditation.
- c. The appropriate terms for Memoranda of Understanding between the Australian Government and its agencies and Standards Australia Limited and the National Association of Testing Authorities, Australia.
- d. The appropriate means of funding activities of Standards Australia Limited and the National Association of Testing Authorities, Australia, which are deemed to be in the national interest.

In this context, ENA will also address issues and questions identified by the Productivity Commission as "Future Challenges"; in particular:

- The increasing difficulty of getting experts to volunteer their time to standards development and laboratory accreditation.
- When it is appropriate to use different types of standards (prescriptive, performance and 'in principle') and the role of alternative compliance mechanisms.
- Do the current standard setting and accreditation arrangements and processes best serve Australia's public interest and are they appropriate to meet future domestic and international challenges including the increasing globalisation of markets?
- In what ways do the standards and conformance infrastructure reduce and/or impose transactions costs on businesses and consumers?
- Is there sufficient national uniformity in standard setting and accreditation processes?

4. Background on ENA.

Formation

The Energy Networks Association (ENA) is the peak national body representing gas and electricity distribution businesses throughout Australia. Electricity transmission businesses are Associate Members and are full and active participants in the ENA asset management policy agenda.

ENA commenced operation in January 2004. It is one of the industry sector bodies that emerged from changes to the Australian Gas Association and the former Electricity Supply Association of Australia in late 2003. ENA is based in Canberra and is an incorporated association, owned and funded by members.

At **separate attachment** is a policy committee structure for ENA that also outlines the ENA asset management policy priorities.

Members

ENA distribution members deliver electricity and gas to over 12 million customer connections across Australia through approximately 800 000 kilometres of electricity lines and 75 000 kilometres of gas distribution pipelines. These distribution networks are valued at more than \$34 billion, and each year energy network businesses undertake investment of around than \$5 billion in network operation, reinforcement, expansions and greenfields extension.

The members of ENA include:

- ActewAGL
- AGL Energy Networks
- AlintaGas Networks
- Aurora Energy
- CitiPower
- Country Energy
- ENERGEX
- EnergyAustralia
- Envestra
- Ergon Energy
- ETSA Utilities
- Integral Energy
- Multinet Gas
- NT Power and Water Corporation
- Powercor
- SP AusNet
- United Energy Distribution
- Western Power

All electricity transmission network owners are members of the ENA Asset Management Committee (AMC) and represent ENA on a number of Standards Australia committees. Associate members are:

- SP AusNet (Transmission).
- ElectraNet SA.
- Powerlink Queensland.
- Transgrid.
- Transend Networks Pty Ltd.

ENA Policy on National Consistency

Since its formation in January 2004, ENA has had a policy objective of supporting a nationally consistent approach and a common framework for safety and technical regulation in gas & electricity, through Australian Standards and ENA Industry Guidelines.

Australian Energy Regulator

ENA believes the Ministerial Council on Energy agreement to transfer economic regulation of energy distribution to the new Australian Energy Regulator (AER) by 1 January 2007, may also trigger a major rethink on the national consistency of technical and safety regulation.

Engagement with Jurisdictional Regulators

In line with the ENA policy on national consistency and the MCE agreement on the transfer of economic regulation to the AER, ENA has been holding forums with the Electrical Regulatory Authorities Council (ERAC)¹ and the Gas Technical Regulators Committee (GTRC)².

The aim of these forums is to identify and action issues of common interest.

Both ERAC and GTRC have endorsed the ENA policy that jurisdictional regulators should refer to Australian Standards, rather than writing jurisdictional standards into regulations and law.

¹ **ERAC** is the council responsible for the liaison between the technical and safety electrical regulatory authorities of eight Australian States/Territories.

² **GTRC** is responsible for the liaison between the technical and gas safety regulatory authorities of eight Australian States/Territories and New Zealand.

The mission of the Gas Technical Regulators Committee (GTRC) is to provide benefits to Australian and New Zealand Governments, industry and the public by striving for a consistent regulatory environment for gas activities, for the purpose of achieving acceptable performance levels of gas safety, supply quality for transmission, distribution and retailing and end use application.

5. Standards Australia.

Engagement with Standards Australia

The Energy Networks Association has an excellent working relationship with Standards Australia.

ENA regards Standards Australia as a key ally and is integral to the ENA policy agenda of national consistency for safety and technical regulation in gas & electricity.

ENA is in the process of applying for membership of Standards Australia and will be assuming the industry representational status previously held by the Energy Supply Association of Australia (esaa).

ENA is already a key stakeholder of Standards Australia and supports a large number of ENA individual members that are active on a wide range of Standards Australia committees.

Standards Australia Committee Representation

ENA is represented by 114 individual members on a range of Standards Australia committees and many members represent ENA on more than one committee.

Standards Australia has 248 individual positions for ENA on 122 Standards Australia committees and subcommittees. The range of topics covered is wide, which reflects the size and range of activities carried on by the electricity and gas industries.

- AG - Gas Standards
- BD - Building
- CE - Civil Engineering
- CS - Consumer
- CT - Communication Technologies
- EL - Electrical
- LG - Lighting
- ET - Electrotechnical
- EV - Environment
- LG - Lighting
- ME - Mechanical Engineering
- MN - Minerals
- MT - Metals
- OB - Conditions of Contract
- PL - Plastics
- QR - Quality & Reliability
- SF - Occupational Health and Safety
- TE - Telecommunications & Electrotechnical

ENA also has members on the Electrotechnology Standards Sector Board (ESSB) and the Gas Standards Sector Board (GSSB).

It is important to appreciate that ENA nominees on Standards Australia Committees are specialist subject experts or experienced practitioners working in the particular subject area. As such they are only representing the electricity or gas networks sector of industry. The other members of these committees are drawn from a range of related industry representative groups.

Memorandum of Understanding

Standards Australia and the Energy Networks Association signed an agreement on 19 December 2005 to formalise the ENA Standards development and publication process (Attachment A). The purpose of the agreement is to promote a nationally consistent approach to the development and enforcement of technical and safety standards in the energy industry.

Under the agreement ENA and Standards Australia will cooperate closely in developing and reviewing Standards and guidelines for the electricity supply industry. New standards will be prepared, and some current industry guidelines previously prepared by the ENA predecessor, will be updated and converted to Australian Standards.

This agreement is similar to one previously signed by Standards Australia and the Australian Gas Association (AGA) in 2003, in which responsibility for gas industry standards was handed to Standards Australia.

The arrangement provides a vehicle for the more authoritative publication of documents required for use by the Energy/electricity sector within established Standards Australia practice and procedures.

6. Industry Publications.

There are four different types of Guidelines and Standards that are used by ENA members for technical and safety regulation.

<p>1. Company Guidelines.</p>	<p>Drafted and printed by individual ENA member companies, generally for internal company use only.</p>
<p>2. Jurisdictional documents.</p>	<p>These documents may be drafted and printed by some ENA members in conjunction with jurisdictional regulators. An example of this type of document is the Victorian Electricity Distributors Service & Installation Rules 2005³.</p>
<p>3. ENA Industry Guidelines.</p>	<p>ENA Industry Guidelines are initiated by ENA members and developed by an ENA internal Working Group. There is no 'process' involvement by Standards committees and Sector Boards.</p> <p>Once the document has been approved, it is formatted by Standards Australia in consultation with ENA, badged as an ENA publication and sold by SAI Global.</p> <p>Publication style can vary. Copyright ownership remains with ENA and publication is identified as an ENA document.</p> <p>Examples of an ENA Industry Guideline are the NENS documents⁴ and <i>ENA C(b)1-2006: Guidelines for design and maintenance of overhead distribution and transmission lines</i>⁵.</p>
<p>4. Australian Standards.</p>	<p>These documents have the highest status and are generally well regarded by regulators. Badged as a Standards Australia document.</p> <p>They must be developed by a broadly representative technical committee managed by Standards Australia (or an accredited standards writing body) and must comply with SG-005 - Technical Governance of the Standards Development Process.</p> <p>During the Standard development process, ENA representatives on SA Committees will refer policy issues to ENA for clarification.</p>

³ The Service & Installation Rules (SIR) 2005 form part of the Victorian Distributors "reasonable technical requirements" referred to in the Electricity Distribution Code. The Code is applied under the Electricity Industry Act and is administered by the Essential Services Commission Victoria.

⁴ The former National Electricity Network Safety (NENS) Committee developed a number of Industry Guidelines that have wide use and currency in the industry, but which were not recognised as legitimate Standards by many regulators due to the fact they had not been through the review procedures of Standards Australia.

⁵ *ENA C(b)1 2006 – Guidelines for design and maintenance of overhead distribution and transmission lines*, was developed by the electricity supply industry and has been widely adopted. The current review is being project managed by Standards Australia but it remains an ENA Industry Guideline.

7. Issues:

a. The efficiency and effectiveness of standards setting and laboratory accreditation services in Australia.

- **Prescriptive and Performance based Standards**

ENA has a policy of supporting outcomes or performance based Standards, rather than a prescriptive approach to developing Standards.

It is the ENA view that a prescriptive approach to Standards development tends to discourage individual and industry innovation, without necessarily improving the outcome from a technical or safety perspective.

Innovation is also one way in which industry can develop a competitive advantage under the "heavy-handed" regulatory environment, in which most electricity and gas distribution businesses in Australia operate.

- **Role of Standards Committees**

Standards Australia Committees also play a role as "expert groups" in order to interpret the meaning and application of Standards. This role extends beyond the simple preparation of a Standard, as it also requires an ongoing depth of understanding about the underlying parameters and assumptions used to develop a Standard. It is also critical in maintaining a satisfactory level of technological expertise in order to correctly apply technology whether it is locally or internationally developed and supplied.

It is acknowledged that Standards Australia sometimes has difficulty in attracting the optimum level and balance of committee representation. For the Standards Australia committee framework to function satisfactorily, it is necessary that membership be balanced across a full range of stakeholders, and that each member must at times represent a range of interests as well as having the correct level of technical understanding.

For this reason, external expert advisors may be occasionally required to assist with the wide scope of work of Standards Committees.

- **Recommendations:**

1. That the Australian Government supports the ENA policy of outcomes or performance based Standards, rather than a prescriptive approach to developing Standards.
2. That the Australian Government allows specific funding to employ occasional external expert advisors to assist with the wide scope of work of Standards Committees.

b. The appropriate role for the Australian Government in relation to standard setting and laboratory accreditation.

- **National Consistency**

ENA has a policy objective of supporting a nationally consistent approach and a common framework for safety and technical regulation in gas & electricity through Australian Standards and ENA Industry Guidelines.

Under such a framework, Australian Standards and Industry Guidelines facilitate improved economic and safety performance across the industry, by allowing a more efficient allocation of resources across jurisdictions. As a result of national consistency, costs are minimised for both industry and consumers, through greater economies of scale.

ENA believes the Ministerial Council on Energy agreement to transfer economic regulation of energy distribution to the new Australian Energy Regulator (AER) by 1 January 2007, may also trigger a major rethink on the national consistency of technical and safety regulation.

In line with the ENA policy on national consistency and the MCE agreement on the transfer of economic regulation to the AER, ENA has been holding forums with the Electrical Regulatory Authorities Council (ERAC) and the Gas Technical Regulators Committee (GTRC). The aim of these forums is to identify and action issues of common interest. Both ERAC and GTRC have endorsed the ENA policy that jurisdictional regulators should refer to Australian Standards, rather than writing jurisdictional standards into regulations and law.

This approach of writing jurisdictional standards into regulations and law has also resulted in a range of jurisdictional “nuances” that have been written into state legislation and regulations, and which then become difficult to amend or abolish. ENA believes there should be no particular state “nuances” written into jurisdictional regulations and that referencing nationally consistent Australian Standards and Industry Guidelines is a far better approach to technical and safety regulation.

ENA considers that the Australian Government should use the Council of Australian Governments (CoAG) process to promote Australian Standards and Industry Guidelines as a way of encouraging national consistency of technical and safety regulation by state and territory governments.

Recommendations:

3. That the Australian Government supports a nationally consistent approach and a common framework for safety and technical regulation in the gas & electricity industries, through Australian Standards and ENA Industry Guidelines.
4. That the Australian Government use the Council of Australian Governments (CoAG) process to promote Australian Standards and Industry Guidelines as a way of encouraging national consistency of technical and safety regulation by state and territory governments.

c. The appropriate terms for Memoranda of Understanding between the Australian Government and its agencies and Standards Australia Limited and the National Association of Testing Authorities, Australia.

- **International Stakeholders**

ENA supports the MoU between Standards Australia and the Department of Industry Tourism and Resources (DITR) to support Australian membership and represent Australian interests on the International Organization for Standardization (ISO) and the International Electrotechnical Commission (IEC).

Standards Australia plays an important role in maintaining an active dialogue with international stakeholders, including other national standards organisations. This is not a passive dialogue and Australian technological developments have frequently had a major influence on the development of international standards in numerous areas.

One example is the significant work done on Lightning Arresters and Insulation Co-ordination in the two relevant Australian Standards. This work was eventually reflected in the IEC standards. Another example is provided by the Expulsion Fuse Standard to develop spark-less requirements (to prevent starting bushfires) and to justify more realistic Transient Recovery Voltage (TRV) requirements for their interruption certification tests. This Australian standard is now used in several bushfire prone countries to specify their expulsion fuses. Also the more realistic TRV requirements have been fed into the IEC Circuit Breaker standard.

It is also important to recognise that Australia, as one land-mass, is presented with a different range of operating environments than (for example) Europe. As a result, while it is sensible to adopt or adapt international standards where they are applicable, some considerable effort needs to be made at times to ensure that local circumstances are fully provided for, including in tropical and semi-desert environments.

The work of Standards Australia and its many committees and working groups covers not only the production of Australian Standards, but also the work of assessing IEC standards and drafts and of influencing IEC where necessary (Australia has a good track record and reputation in IEC circles for significant contributions in the past).

The work also extends to the ongoing application of technology changes, the changing requirements of electricity supply networks, the influencing of the development of suitable products, and responding to numerous requests for interpretations and applicability.

The extent of this workload needs to be recognised through specific funding from the Australian Government.

- **International Consistency**

There are some compelling reasons from a government perspective for Australia to adopt or reflect IEC Standards. However, there are considerations which need to be kept in mind if adopting this policy:

- While there are many excellent IEC standards that are reflected in Australian Standards, there are also many which do not reflect current Australian practice or requirements.
- It is very difficult to influence IEC standards. Major time and effort must be devoted to assessing IEC proposals, making comment and providing the required supporting evidence.

It is the experience of ENA members that this seems to receive little consideration by IEC. Unless Australia is able to have representation at IEC Study Committee Working Groups, our inputs seem often to receive scant consideration by IEC. The time and resources required to do this are considerable.

- The focus on IEC Standards also isolates Australia from UK and North American practice – in particular the US National Standards Body (ANSI) and the Institute of Electrical and Electronics Engineers Inc (IEEE) standards.

To some degree this is a result of limited resources. Australia needs to be aware of the corresponding ANSI / IEEE and UK standards when formulating Australian Standards and when making comments and proposals to IEC.

It is therefore recommended that Standards Australia be funded adequately that would allow them to take a broader view on considering ANSI/IEEE and UK Standards when formulating Australian standards.

- Consistent with the ENA practice of using Industry Guidelines, the UK electricity supply industry also uses IEC standards and supplements them with their own additional documents.

Recommendations:

5. That the Australian Government recognise through funding the critical nature and extent of the workload to support Australian membership and represent Australian interests on the International Organization for Standardization (ISO) and the International Electrotechnical Commission (IEC).
6. That Standards Australia be funded adequately that would allow them to take a broader view on UK and North American practices when formulating Australian standards.

d. The appropriate means of funding activities of Standards Australia Limited and the National Association of Testing Authorities, which are deemed to be in the national interest.

- **National system of measurement through accredited laboratories.**

ENA believes it is in the national interest to have an accountable and national system of measurement through accredited laboratories.

In line with such a national system, jurisdictional regulations should refer to the use of accredited laboratories to demonstrate product conformance to technical and safety requirements.

As an extension of this principle, there is a need for an internationally linked system of nationally accredited laboratories to provide the evidence of conformance to technical and safety standards and contractual requirements of equipment and products used on energy networks.

As an example, it is important to underpin the metrology basis of energy charging in the national energy market and provide confidence in the accuracy of flow measurements within energy networks.

- **Standards Australia and the National Interest**

ENA notes that in 2003, Standards Australia separated its standards development and certification activities by selling its certification businesses to its subsidiary SAI Global Ltd, a company now listed on the Australian Stock Exchange. At the same time in 2003, the publishing and distribution business, Standards Australia Publishing, was also sold to SAI Global Ltd, including an exclusive license to distribute Australian Standards (until 2018).

Standards Australia sold all its remaining shares in SAI Global on 6 April 2006. ENA is informed that all links between the two organisations are now formally governed by contractual agreements.

However, it is the experience of ENA that Standards Australia still lacks the resources to develop and/or review Standards and Handbooks that deliver a low return on investment.

This means that development and/or reviews of a number of Standards and Handbooks, which are of interest to industry and may be in the national interest, are not undertaken as the final product does not generate large sales volumes.

ENA recommends that the Australian Government provide a special category of funding for those Standards and Handbooks deemed to be in the national interest, but which do not generate a return on investment to Standards Australia. Such funding could allow Standards Australia committees to employ specialist consultants to provide advice and develop Australian Standards and Handbooks.

- **Resourcing of Standards Australia Committees**

The resourcing of Standards Australia Committees is currently shared by Standards Australia staff (editorial and organising work) and by experts in the particular field, including from ENA.

For example, ENA is represented by 114 individual members on Standards Australia committees and many members represent ENA on more than one committee. Standards Australia has allocated 248 individual positions for ENA on 122 Standards Australia committees and subcommittees.

The range of topics covered is wide, which reflects the size and range of activities carried on by the electricity and gas industries.

ENA also has members on the Electrotechnology Standards Sector Board (ESSB) and the Gas Standards Sector Board (GSSB).

These expert members are provided at no cost to Standards Australia by ENA. In fact much of the work provided by these experts is done in their own time, displaying a high level of commitment to the industry.

However providing these resources to Standards Australia is increasingly posing an issue for the electricity and gas supply industries.

Increased Infrastructure investment and alleged skills shortages have dramatically reduced the pool of expert people to make up the committees and working groups. It is vital that these effects be recognised by the Australian Government and that adequate resourcing be provided for the future.

ENA therefore supports a strong and increasing role for government funding of Standards Australia, especially in the area of funding for critical technical expertise and advice.

Recommendations:

7. That it is in the national interest to have an accountable and national system of measurement through accredited laboratories and jurisdictional regulations should refer to the use of accredited laboratories to demonstrate product conformance to technical and safety requirements.
8. That the Australian Government supports a strong and increasing role for government funding of Standards Australia, especially in the area of funding for critical technical expertise and advice.

Attachment A



JOINT MEDIA RELEASE

December 19, 2005

Ground breaking agreement strengthens links between Standards Australia and the electricity industry

Standards Australia and the Energy Networks Association have today signed a high level agreement designed to strengthen Australia's electricity supply industry standards and guidelines.

Standards Australia is the nation's peak standards development body. ENA represents the owners of electricity and natural gas distribution networks throughout Australia and emerged from changes to the Australian Gas Association and the former Electricity Supply Association of Australia in late 2003.

The agreement, which complements an existing MoU governing gas standards development, was signed by Mr John Tucker, CEO Standards Australia and Chief Executive of ENA, Mr Bill Nagle in Sydney.

Under the agreement ENA and Standards Australia will cooperate closely in developing and reviewing Standards and guidelines for the electricity supply industry.

New standards will be prepared, and some current industry guidelines will be updated and converted to Australian Standards.

Standards Australia will also help ENA prepare and publish its own Industry Guidelines in areas such as:

- Electrical safety for emergency service personnel;
- Design and maintenance of overhead lines;
- Prevention of unauthorised access to electricity infrastructure;
- Safe vegetation management work near power lines;
- Low voltage protection; and
- Aerial Operations.

John Tucker, Standards Australia's Chief Executive Officer, said the agreement builds on the positive relationship Standards Australia has shared with the electricity industry over many years.

"This is an example of the closer stakeholder relations that we will be establishing in many fields under our new business model," Mr Tucker said.

"The electricity supply industry has experienced huge changes following the introduction of Australia's contestable electricity market 10 years ago.

"The agreement we have signed today will help address standards development issues and provide greater support for technical documents used by the electricity industry.

Chief Executive of ENA, Mr Bill Nagle said the purpose of the agreement is to ensure a nationally consistent approach to the development and enforcement of technical and safety standards in the energy industry.

"National consistency of technical and safety regulation is increasingly becoming a major regulatory and asset management issue for network service providers," Mr Nagle said.

"The ENA believes the Ministerial Council on Energy agreement to transfer economic regulation of energy distribution to the new Australian Energy Regulator may also trigger a major rethink on the national consistency of technical and safety regulation.

"As a result, ENA has a major objective of establishing a national operating framework for technical and safety regulation through Australian Standards", said Mr Nagle.

This agreement is similar to one previously signed by Standards Australia and AGA in 2003, in which responsibility for gas industry standards was handed to Standards Australia.

Energy regulators have expressed interest in seeing Industry Guidelines move to the more structured and transparent environment of Australian Standards.

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Standards Australia is recognized by the government as Australia's peak standards body. It develops Australian Standards® of public benefit and national interest and supports excellence in design and innovation.
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