

11.5 UNDERGROUND POWER - NORTH PERTH MOUNT HAWTHORN - SERVICE CHARGES & CO-FUNDING AGREEMENT

- Attachments:**
1. Co-Funding Agreement - North Perth/Mount Hawthorn - Confidential
 2. Timeline of Communications - North Perth/Mount Hawthorn

RECOMMENDATION:**That Council:**

1. **AUTHORISES** the Chief Executive Officer to execute on behalf of the City, the Co-Funding Agreement at Attachment 1 with Western Power to implement the North Perth/Mount Hawthorn Underground Power project as part of the Network Renewal Underground Power Program (NRUPP), which includes a commitment by the City to meet the cash call requirements detailed in the Agreement; and
2. **NOTES** that the service charges below will be included in the schedule of fees and charges in the Annual Budget 2025/26:
 - A residential network charge of \$2,078.
 - A commercial network charge of \$305 per KVA
 - A connection charge of \$0-\$3,457, depending on the current connection arrangements; and
3. **NOTES** that the owners of properties in North Perth and Mount Hawthorn NRUPP to be given the option of upfront payment or annual instalments over a period of 4 years funded by either or a combination of 4-year fixed interest term loans borrowed from the WATC, the Underground Power Reserve and the Catalina Land Sales Reserve; and
4. **NOTES** that the 4 year instalment option will be available for up to an estimated maximum of 70% of ratepayers subject to the City's borrowing capacity and available funds in the Underground Power Reserve and Catalina Land Sales Reserve; and
5. **NOTES** that the costs to fund the 4 year instalment option will be funded by the ratepayers who take up this option.

PURPOSE OF REPORT:

To seek Council approval to proceed with the North Perth/Mount Hawthorn NRUPP project based on the latest cost estimate as provided by Western Power.

BACKGROUND:

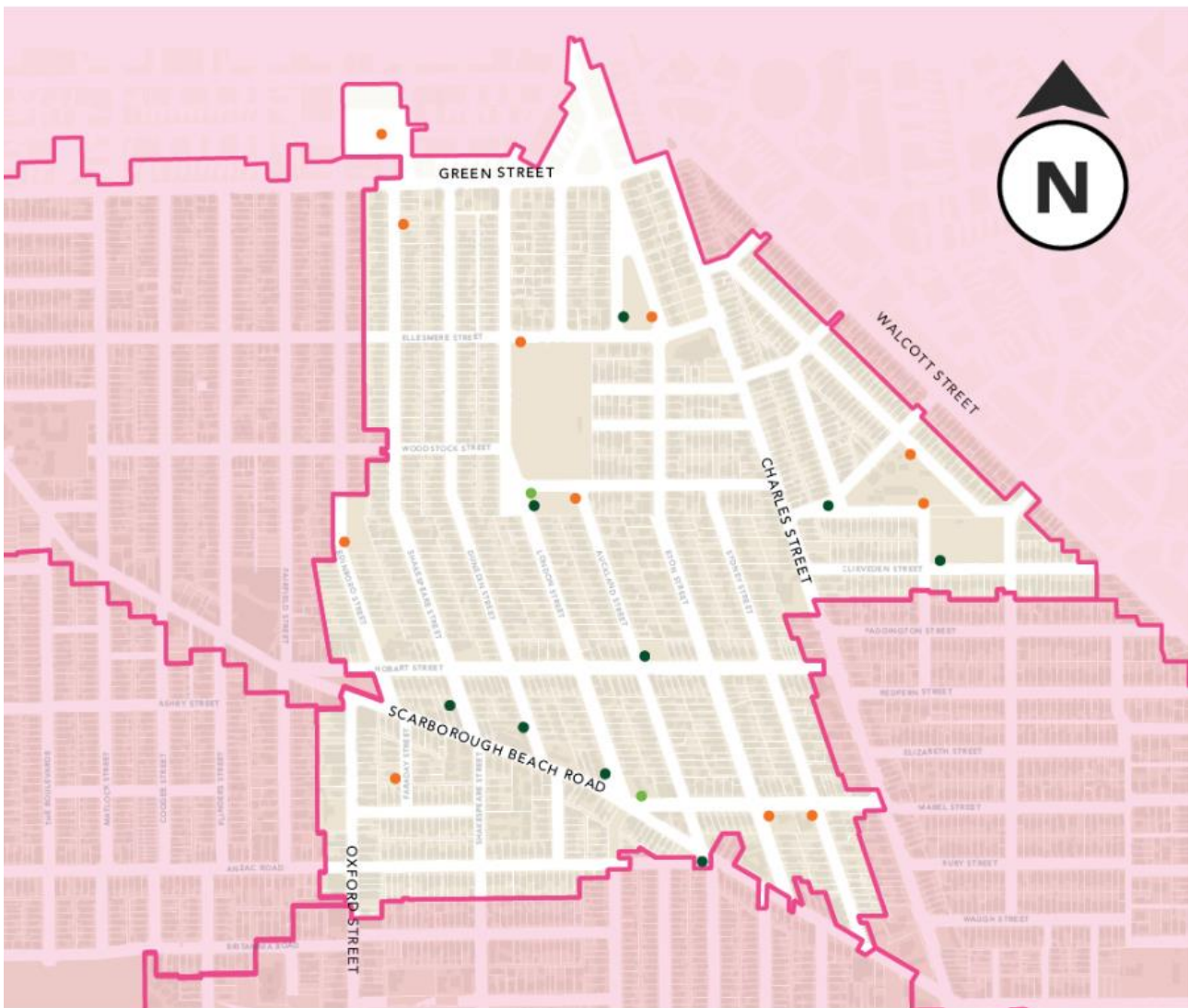
In 2022 the City agreed to work with Western Power towards undergrounding electricity distribution power lines throughout Vincent. Eight project areas were identified by Western Power and numbered in order of priority, based on the age and condition of assets to be replaced by undergrounding.

The first project area comprises parts of North Perth and Mount Hawthorn.

Engineering design for this project area was finalised by Western Power in early 2024 and the preferred construction contractor selected via a tender process completed in July 2024.

The City received the E10 construction price (contractor's estimate +/- 10%) in August 2024 and the attached Co-Funding Agreement in September 2024.

The project construction timeline proposed by Western Power is between November 2024 to November 2026.



DETAILS:

Project costs

The total project cost, based on the E10 construction price is \$35,159,989, with Western Power contributing \$28,466,394 (81%) and the City contributing \$6,693,594 (19%) as shown in the table below.

	Western Power Contribution	Ratepayer Contribution	Total Project Cost
E10 Estimate	28,466,394 81.0%	6,693,594 19.0%	35,159,988 100.0%

Western Power requires the City to settle payments by way of 5 (five) cash calls. The cash calls are \$1,338,719 each, to be made on 30 September 2025, 30 December 2025, 31 March 2026, 30 June 2026, and 30 September 2026.

Western Power funds the net benefit cost it receives from the project. This is equivalent to the avoided costs that it would otherwise incur in replacing and maintaining overhead assets. Western Power does not contribute to network costs in excess of its net benefit. These costs are passed on to the City as its share of the network charge. Western Power also does not contribute to the consumer mains cost. This is passed on to the City as the connection charge.

The City will raise a service charge to pass these costs onto the ratepayers within the project area.

Timeline

Upon execution of the Co-Funding Agreement, Western Power has proposed that the project can start as early as November 2024, with mobilisation of ground crew expected in early 2025 and practical completion in November 2026.

Manner of payments from ratepayers

It is proposed that the owners of properties within the project area be given the option to pay the service charge either upfront or in annual instalments over a period of 4 years.

The 4-year instalment option will be available for up to an estimated maximum 70% of ratepayers and funded by either or a combination of 4-year fixed interest term loans borrowed from the WATC, the Underground Power Reserve and the Catalina Land Sales Reserve. The interest rates will be subject to applicable WATC rates at the time the loan funds are drawn.

The costs to fund the 4-year instalment option will be funded by the ratepayers who take up this option.

Priority for the 4-year instalment option will be provided to pensioners and those experiencing financial hardship.

Owners of properties that hold either a Commonwealth issued Pensioner Concession Card or Commonwealth Seniors Health Card together with a WA Seniors Card are entitled to a 50% discount on underground power charges, proportionate to their share of the property. If they choose to pay by instalments this 50% discount is available for each year that instalment payments are applicable.

State Government Seniors Card holders (i.e. not pensioners) can access a fixed rebate of \$100, for payment in full (proportionate to their share of the property).

Service charge

The proposed service charge to be charged to properties in the project area would reflect the Western Power charge, which consists of:

- Network charge – this is determined by property type (residential or commercial) and the associated demand for network capacity as allocated by Western Power.
- Connection fee – this is dependent on whether the property has an existing underground consumer main, the location of the main electrical switchboard to which the mains supply is connected and the number of electricity meters that share a mains supply.

Ratepayers who elect for the 4-year instalment option will have these costs included in their service charge.

Residential

Network charge \$2,078
Connection charge \$0-\$3,457

Commercial

Network charge \$305 per KVA
Connection charge \$0-\$3,457

Co-funding Agreement

The Co-Funding Agreement (confidential) outlines the terms under which the City and Western Power agree to work together throughout the construction phase of the project to deliver underground power to the North Perth/Mount Hawthorn project area. It sets out the roles and responsibilities of each party, including their respective financial contributions and agreed payment schedule (shown in Schedule 1 of **Attachment 1**).

While the details are commercial in confidence, the Co-Funding Agreement addresses the following key areas:

- Project costs – shared between Western Power and the City (as outlined above);
- Management of design, tendering, project schedules and construction processes – responsibility of Western Power;
- Management of project budget (with monthly updates for the City) – responsibility of Western Power;
- Community engagement – primary responsibility of the City, with support from Western Power and supplemental communication by the construction contractor about specific site works;
- Ownership of infrastructure – network assets (primarily located outside of property boundaries) are owned by Western Power; the consumer mains cable (within the property boundary) is owned by the property owner;
- Planning and delivery of network construction – responsibility of the construction contractor; and
- Reinstatement works to roadways, road verges, footpaths, driveways and gardens affected by the Project – responsibility of the construction contractor. To be completed in accordance with the “Local Government Guidelines for Restoration and Reinstatement in Western Australia” or, where the work falls outside the scope of these guidelines, in accordance with City of Vincent specifications.

Following execution of the Co-Funding Agreement, Western Power will award the construction contract to the selected contractor, who will produce a project schedule showing the phasing of works within the project area. This schedule and associated maps will be published on the City’s website by the end of 2024.

CONSULTATION/ADVERTISING:

The community was consulted on the location of primary equipment for the project area, with letters sent to nearby property owners, signage placed in impacted parks and car parks and the City’s website updated with information about the consultation process. All feedback was given due consideration in the decision-making on site selection.

The City will continue to provide communications to residents and ratepayers in the project area as shown in **Attachment 2**. This includes a letter to individual ratepayers to be sent in November, showing the specific service charges for their property and request a response with their preferred payment option. A community information session will be held jointly with Western Power on Saturday 30 November 2024 (time and venue to be confirmed). This will be an informal walk-in event at which resident and ratepayer questions relating to all aspects of the project will be addressed.

Six weeks prior to start of construction, Western Power will place a leaflet in every letter box in the project area, advising what to expect in the coming months and who to contact for further information.

The construction contractor will then precede the start of any works with a letterbox drop in impacted streets, providing details of the upcoming work and the contractor’s contact information.

Information about the project is available on the Western Power and City of Vincent websites and is updated regularly.

LEGAL/POLICY:

The City will comply with the requirements of the *Local Government Act 1995* and associated Regulations.

RISK MANAGEMENT IMPLICATIONS

Low to Medium: It is a low to medium risk for Council to proceed with the North Perth/Mount Hawthorn project. The construction and performance risk for the project would remain with Western Power as the asset owner and manager, with extensive experience in underground power programs. There would be a low to medium risk associated with managing community engagement/sentiment, and there would be a low to medium risk associated with willingness/capacity to pay for some property owners.

STRATEGIC IMPLICATIONS:

This is in keeping with the City's *Strategic Community Plan 2022-2032*:

Enhanced Environment

Our urban forest/canopy is maintained and increased.

Thriving Places

Our physical assets are efficiently and effectively managed and maintained.

Sensitive Design

Our built form is attractive and diverse, in line with our growing and changing community.

Innovative and Accountable

Our resources and assets are planned and managed in an efficient and sustainable manner.

SUSTAINABILITY IMPLICATIONS:

This is in keeping with the following key sustainability outcomes of the *City's Sustainable Environment Strategy 2019-2024*.

Urban Greening and Biodiversity**PUBLIC HEALTH IMPLICATIONS:**

This is in keeping with the following priority health outcomes of the *City's Public Health Plan 2020-2025*:

Reduced exposure to environmental health risks**FINANCIAL/BUDGET IMPLICATIONS:**

The City will be responsible for invoicing property owners for their contribution to the project. The cash calls for the project will be included in the 2025/26 Annual Budget. Total cost of the project will be recovered from the property owners in the project area by way of a Service Charge as allowed under the *Local Government Act 1995* and associated Regulations.



CITY OF VINCENT

NORTH PERTH / MT HAWTHORN UNDERGROUND POWER PROJECT AREA TIMELINE

October 2024

Vincent Council to consider updated costs and approve project.

November 2024

Vincent will send notice advising service charges amount to all properties in the project area. Ratepayers required to respond to nominate their preferred payment option.

November 2024

Community info session for residents and ratepayers.

December 2024

Information showing when works are happening in each part of the project area will be available on Vincent's website.

Early 2025

Works begin.

July 2025

Ratepayers to receive service charges with their rate notice.



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*correct as of September 2024 and subject to change