



# **Revised Regulatory Proposal**

## **Supporting Information: Public Lighting**

### **Aurora response to the AER's Draft Distribution Determination**

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## **1. Introduction**

Aurora provided the AER with its *Regulatory Proposal* on 31 May 2011 in accordance with the provisions of Chapter 6 of the *Rules*. Aurora also set out its answers to the Regulatory Information Notice (RIN) issued by the AER on 21 April 2011 in its response (*RIN Response*) of 31 May 2011.

The AER have reviewed Aurora's *Regulatory Proposal* and *RIN Response* and provided Aurora with the AER's *Draft Distribution Determination*, associated consultant's reports and AER models on 29 November 2011 in accordance with the provisions of Chapter 6 of the *Rules*.

Aurora provides its *Revised Regulatory Proposal* to the AER in response to the AER's *Draft Distribution Determination* in accordance with the provisions of Chapter 6 of the *Rules*. This document provides specific supporting information as an appended attachment to Aurora's *Revised Regulatory Proposal*

## 2. Public Lighting Operating Expenditure

### 2.1. Purpose

The purpose of this paper is to discuss the issues raised by AER about Aurora's forecast opex for Public Lighting Services. The AER have highlighted a number of areas in Aurora's opex forecast and supporting documentation that caused them to reject the forecast.

### 2.2. AER's draft decision

The AER raised two main issues in respect of the Public Lighting Services opex forecast:

- the lack of justification for the large step change in forecast opex from the *Current Regulatory Control Period* and the *Forthcoming Regulatory Control Period*; and
- the lack of justification for the step changes in forecast opex in the 2012-13 and 2015-16 *Regulatory Years*, compounded by the fact that the fact that the Public Lighting Management Plan stated that the second step change was planned for the 2016-17 Regulatory Year.

Aurora submits this document and the revised Public Lighting Management Plan to address the AER's concerns about Aurora's opex forecast for Public Lighting Services.

### 2.3. Aurora's Response

Alterations to Aurora's strategies during the 2010-11 and 2011-12 financial years have led to a reduction in opex allotted to the Bulk Lamp Replacement program during these years. As a result, the replacement of lamps under this program has fallen behind, to the extent that the work programmed for the 2010/11 year (year three of cycle one) will be completed in the 2011/12 year.

The reductions to the Bulk Lamp Replacement program in this current pricing period has resulted in increased fault costs for public lighting. The original budget for the 2011/12 year was \$630,000. As of December 2011, the public lighting fault expenditure was already \$600,000, with a forecast end of year expenditure of \$1.6 million.

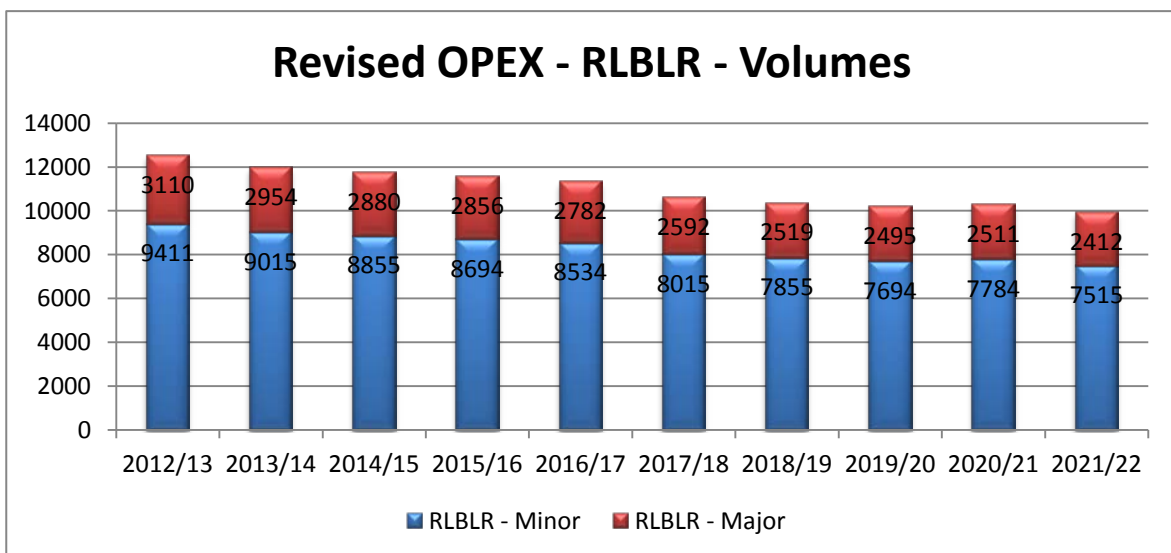
By way of explanation, Aurora has found that during 2011/12 the volume of public lighting faults has increased significantly, presumably driven by the number of lamps exceeding their service life due to the lag in the Bulk Lamp Replacement program. The cost to repair a lamp under fault is greater than the cost to replace the lamp as part of the Bulk Lamp Replacement program: under fault conditions, the lamp must be replaced whenever it fails, irrespective of the location, increasing the per unit travel time, whereas per unit travel times are much reduced under the Bulk Lamp Replacement program which effects many replacements in a single area.

To ensure that fault costs for public lighting services do not continue at such an elevated level, the fault rates need to be brought to their “normal” level, which means that the Bulk Lamp Replacement program must be brought back on schedule. The simplest approach would be to complete year four of cycle one in addition to year one of cycle two in the 2012/13 year. Recognising, however, that this would result in an excessive cost impost upon its public lighting customers, Aurora has proposed to spread the replacement volumes of year four of cycle two over seven years, commencing in 2012/13.

The revised volumes to implement this approach are presented in Figure 1. The “catch-up” will be ended by the 2019/20 year, (year four, cycle three), after which the volumes should remain stable. By spreading the volumes and hence costs for the missed year across the seven subsequent years, the effects on customers will be minimised.

The opex for the BLR program is based on units rates split into minor and major lights. This will accurately forecast the expenditure required to complete the program.

**Figure 1. Forecast Volumes for the Bulk Lamp Replacement Program, Incorporating the Increment for the Missed Year Four, Cycle One**



### 2.3.1. Replacement of Minor Light Fittings

Aurora has made a further change that will affect the volume of lamps to be replaced under the Bulk Lamp Replacement program.

There are approximately 16,300 Sylvania B2224 luminaires in the Aurora fleet, which were installed between 1989 and 2004. Given the standard 20 year life for luminaires, units installed before 1998 will be beyond their standard life by the end of the *Forthcoming Regulatory Control Period*.

Aurora intends to replace these luminaires at a rate such that no luminaires in the fleet will be more than 20 years old by the end of the *Forthcoming Regulatory Control Period*. In consequence, Aurora will need to replace approximately 9,000 luminaires in the *Forthcoming Regulatory Control Period*, assuming that the installation rate was constant during the fifteen year installation period.

Luminaires replaced as a part of this program will have an effect on the volume of lamps to be replaced under the Bulk Lamp Replacement Program. This has been accounted for in the volumes shown in Figure 1.

### **3. Confidentiality**

Aurora does not consider any information contained within this document to be confidential.