

28 August 2012

Mr Warwick Anderson
General Manager Network Regulation
Australian Energy Regulator
GPO Box 3131
Canberra ACT 2601

Dear Mr Anderson

Submission on the AER's Preliminary Positions on 2014-19 NSW Framework & Approach on DNSP (Ausgrid) Pricing

Bankstown City Council acknowledges the opportunity to comment on the AER's Framework and Approach Paper on NSW DNSP (Ausgrid) pricing for 2014-19.

Council has approximately 13,000 street lights within its local government area and has long been advocating for improved service provision, advanced technology and equitable pricing for street lighting.

In 2003, Council adopted its Public Lighting Strategy and joined the SSROC-sponsored 34-Council Street Lighting Improvement Program (SLIP), to collectively achieve the long outstanding reforms in public lighting service delivery and pricing in NSW.

As a member of the Street Lighting Improvement Program, Council provided input into SSROC's detail submission on the current Framework & Approach paper and would like to express its full support on the detail analyses and recommendations in the SSROC's submission.

Earlier in May 2012 Council made a comprehensive submission on the Discussion Paper from AER, which dealt with some of the issues included in the current F&A paper in some detail.

This submission from Council, besides reiterating the issues and views expressed earlier, primarily focuses on the three key questions posed in the F&A paper.

Council's specific responses to the AER's key questions are as follows:

Should public lighting services be classified as direct control services and further, as alternative control services?

As the monopoly in the provision of street lighting in NSW has lately been further consolidated through merger of the three DNSPs, the prospects for introducing any subsequent competition have become even more remote and extremely unlikely.

Considering the above mentioned circumstances and the reasons detailed in the joint submission from SSROC, Council supports the AER's stated position in the F&A paper to classify public lighting as an alternative control service, with effective regulatory oversight from the AER on pricing and other matters.

However, Council also would like to highlight that this then places the concurrent responsibility on AER to ensure effective regulatory oversight on pricing and other relevant matters, for an equitable outcome for Councils and their communities.

That SSROC/SLIP Councils chose not to opt for an unregulated or 'negotiated' service approach is not only because those options are not currently exercisable but because, given the almost total monopoly, only effective regulatory protection can safeguard councils against any predatory financial impost from the monopoly provider.

The fact that the significant deficiencies in the current governance arrangements for public lighting in NSW (e.g. no clear basis of service, lack of transparency on pricing model and assumptions) are not likely to go away, makes it more essential that Councils are provided with a proper regulatory protection.

On one hand, the recent merger of the three NSW DNSPs enhances their monopoly and market power and on the other hand the NSW Government's stated goal of aligning/consolidating the newly merged utility's purchasing and policies across the state ideally should result in increased scale of economies for the new DNSP. Through its pricing determination, the AER may like to explore whether this could be leveraged for the benefit of Councils.

Council and SSROC recognise some deficiencies and anomalies, which currently impacts the AER's more effective exercise of its regulatory function and therefore has supported the AER's proposal to AEMC for enhanced regulatory power for it.

Comments on the AER's preliminary position on the control mechanism to be applied to public lighting services.

Besides the abrupt increase in prices, the significant adverse impact for councils from the 2010 pricing determination has been the increased pricing complexity, multiplicity of bills and lack of transparency in bills. That the billing situation is currently creating significant confusion for councils has been amply demonstrated and exemplified in detail in SSROC's joint submission.

In short, Council would like to recommend that further investigation and options on alternative pricing/billing approaches be explored, to arrive at a simplified and transparent billing, without losing accuracy or further addition to costs on billing systems.

Treatment of new luminaire types or new technologies in the provision of public lighting services

The newly emerging advanced lighting technologies such as LEDs are fast evolving and technical features and costs are undergoing rapid changes. Council is of the view that the AER's current lengthy determination process is not conducive to deployment of these technologies, even on a pilot basis.

Council therefore recommends that, in cases where councils and the provider are in agreement, the AER considers adopting a speedy pathway to decide interim tariffs for such technologies, followed by a full scale determination process for bulk deployment.

If you require further information or would like to discuss, please contact Anthony Vangi, Council's Acting Director Infrastructure and Assets, on (02) 9707 9885 (anthony.vangi@bankstown.nsw.gov.au) or myself on (02) 9707 9524 (matthew.stewart@bankstown.nsw.gov.au)

Yours sincerely

A handwritten signature in black ink, appearing to be 'M. Stewart', written over a horizontal line.

Matthew Stewart
General Manager