

File No: 118-21-2/4

5 March 2009

Mr Mike Buckley
General Manager
Network Regulation North Branch
Australian Energy Regulator
GPO Box 3131
CANBERRA ACT 2601

Dear Sir

Re: Public Lighting Pricing Proposal to the Australian Energy Regulator

Herein Blacktown City Council would like to make a submission to the Australian Energy Regulator (AER) in response to the Integral Energy Public Lighting Pricing Proposal to the Australian Energy Regulator dated 16 January 2009.

Blacktown City Council would like to make clear that insufficient time was given for a submission to be lodged by the due date as Council only received notification from Integral Energy on the 22 January 2009. Review of the pricing proposal has been difficult with a number of issues which require clarification as well as some substantial pricing increases which are likely to impact on Council's budgets from the 1 July 2009 with major budgetary implications in the longer term. Council is also concerned that Integral Energy has not approached Blacktown City Council to advise on the proposed implications or to provide detailed discussion.

Blacktown Council has in the order of 26,000 street lights, of which there are approximately 17,000 80W Mercury Fluorescent types. The impact on Blacktown City Council's budget, based on just these at today's rates, will jump from \$862,000 up to \$4,970,979 without the escalators included adding another \$66,000 by the time all the current 80W assets have reached their useful life and are replaced.

There are a number of issues arising from the proposal that Council is seeking clarification on so that the full effects of the proposal can be ascertained:

- Table 1: Summary of Tariff Classes – further clarification is required in relation to the current Schedule 1, 2 and 3 tariffs currently in use and how they translate into the new tariff classes i.e. under the new Tariff Classes , which new tariffs correspond to the current tariffs?
- The definitions of the Tariff Classes are a little ambiguous and what is meant by "Preferred Definition"?
- At the end of the useful life of an existing asset, how will the replacement and funding be arranged as it appears to differ from the current situation?
- How is the residual asset charge mentioned in Tariff Class 6 determined?

- In determining the residual life of an asset how will this be determined given that by Integral's own admission – *“Due to the short timeframe in which to establish the proposed schedule for prices of public lighting assets constructed before 1 July 2009 and the fact that sufficient information regarding the lives and condition of the public lighting assets for individual customers is not available”*?
- Are the escalators shown in Appendix “B” to be applied each year and are they going to be consistent for the length of the regulatory period?

However, it has been difficult for Council's staff to determine the true impact to Council due to a number of submissions forwarded to the AER by Integral Energy. Council has been made aware that there have been at least 3 versions submitted. Due to the changing nature of the pricing proposal together with a very limited time to respond, it is recommended that the AER defer its decision on this matter pending additional information to confirm the price increases. It is further requested that the information on pricing be presented to Councils with sufficient time to make submissions to AER on the impact of these decisions.

Should you require any further information regarding this matter, please contact Council's Traffic Management Officer, Andy Karklins on 9839 6305.

Yours faithfully,
Ron Moore
GENERAL MANAGER

Per: