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Enquiries: Clancy Philippe (☎ 8571 5119)

10 July 2015

Mr Chris Pattas
General Manager – Network Investment and Pricing
Australian Energy Regulator
GPO Box 520
MELBOURNE VIC 3001

Proposed changes to regulation of public lighting

Dear Mr Pattas

I wish to express my concern regarding proposed changes to the regulation of public lighting, as presented in the Australian Energy Regulator's (AER's) public lighting forum on Monday 22nd June 2015 and proposed in a subsequent issues paper, Victorian electricity distribution pricing review (June 2015).

The City of Greater Dandenong believes that a shift away from a regulated environment to one in which local government is expected to negotiate service levels and charges for lighting on dedicated poles, will result in a negative outcome for local governments. While the concept of local government and distributors negotiating in good faith to set appropriate charges appears possible in theory, the experience of local government in South Australia, shows the practice to be quite different.

South Australian local governments have struggled to come to agreement with their distribution businesses. This has arisen from a fundamental difference in how local government and the utility calculate the costs of public lighting. As you will be aware, two years of mediation and discussions between the two parties has resulted in stalemate, to the point where the Australian Energy Regulator has stepped in to offer non-binding arbitration to resolve the impasse. This process commenced in December 2014 and is still ongoing¹. The outcome in South Australia, which is the only experience of forced negotiating of public lighting services in Australia is such that the prices for 2014-2015 are still not confirmed.

The City of Greater Dandenong is concerned that the repeat of such a process in Victoria will only result in higher costs for local government dealing with potentially powerful monopolies. From the point of view of our council, the proposed system is based on a fundamental flaw. As each distribution business is effectively a monopoly in its area, our council does not have a choice as to who to negotiate with and so we are at an immediate disadvantage, as we need to continue to provide lighting to our communities. It is for this reason, that the City of Greater Dandenong opposes proposed changes to the current system of regulating prices for public lighting and that dedicated poles remain subject to the same level of oversight as DNSP-owned poles.

We strongly support the work of the AER in regulating public lighting prices. We understand it is a difficult and often thankless task. However, without the support of the AER in regulating these services, local governments would not be able to negotiate a similar outcome.

Yours sincerely



Julie Reid
Director Engineering Services

¹D. Hitchcock, *Local Government Association of South Australia*, 1st July 2015

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