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Mr M Neck
Director Network Regulation
Australian Energy Regulator
400 George Street
Brisbane QLD 4000

Dear Moston

Re: Preliminary Framework & Approach - SA Power Networks, Public Lighting

The City of Salisbury welcomes the opportunity to submit comment to the Australian Energy Regulator's Preliminary Framework & Approach for SA Power Networks 2020-25 regulatory control period. Our submission relates specifically to Public Lighting.

The City of Salisbury has a long history of involvement in public lighting activities through its membership of various committees, including the Australian Standards Public Lighting Committee and the Technical Reference Group involved in negotiating public lighting tariffs with SA Power Networks.

Having been directly involved in the process of establishing cost reflective charges via the negotiated service framework, the City of Salisbury has gained detailed insight into this process and believes it is an excellent position to validate the benefits of SA Public Lighting tariffs being classified as Negotiated Services rather than Alternative Control Services.

Contrary to the opinions of interstate Consultants, the negotiation of public lighting charges in South Australia has been very successful with a cumulative reduction of annual charges of over \$10 million since 2009 and Individual Council LED agreements being established between customers and SA Power Networks.

In terms of classifying public lighting services, the City of Salisbury understands that the AER must first determine if this is a type of distribution service. We have sought legal advice and in our view, public lighting as a function, involves the end use and not the distribution of electricity and so by its very nature is not a distribution service. Light fittings are no different to other customer installations that have an electrical connection to the distribution network and this is why public lighting customers pay the public lighting electricity bill and not the distributor.

Even if public lighting services are considered as a distribution service, the next items that need to be considered are if the service is monopolistic in character, if customers have bargaining power and if the service is contestable.

The AER acknowledges in the preliminary F&A that SA Power Networks does not have a legislative monopoly of these services, but a monopoly position exists to some extent due to customer access restrictions to utility poles. With over 15% of SA unmetered public lights being customer owned and over 50% of public lights installed on standalone columns, the majority of public lights have no access issues. The LGA of SA in association with the City of Salisbury are currently progressing Facilities Access Agreement negotiations with SA Power Networks that would allow customers to install their own lights on utility poles. When these last two points are taken into consideration a monopoly position does not exist.

Public lighting customers in SA currently enjoy a large degree of bargaining power, as demonstrated by the establishment of individually negotiated LED tariff agreements. These agreements have formed the basis of negotiation while public lighting services have been classified as negotiated. In addition to this, public lighting customers are in a better position now to negotiate indicative price lists, as we have gained in-depth knowledge of the cost models and commercial information that SA Power Networks use to set the tariffs, through previous negotiations. Without the AER approved Negotiating Framework and Cost Allocation Methodology being applied in setting public lighting charges, customers would be at a distinct disadvantage, as we would not be privy to such commercial information.

Contestability of public lighting services could be defined as the ability of a third party to be engaged to provide these services. SA Power Networks currently outsource a large volume of their street lighting work to accredited third party contractors. These same contractors can be engaged by customers once a Facilities Access Agreement is finalised for utility poles. Currently, 15% of unmetered public lighting is fully contestable, as these lights are owned by customers, with the remaining lights on standalone columns being accessible if purchased by customers. When these points are considered, there is no reason for all public lighting services to be fully contestable.

Classification of lighting services in other jurisdictions should be taken into account when classifying SA lighting services. Prior to the 2016-20 regulatory period in Victoria, the AER proposed to classify public lighting services there as negotiated. Unfortunately for Victorian customers this was stopped by a single consultant who misinformed these customers regarding the risks of negotiating public lighting services. This was evident in the submissions to the AER where customers indicated that they were under the impression that they would be forced to negotiate as an individual customer and that negotiated services are unregulated and without a regulatory "safety net". These points are far from the truth and demonstrate the consultant's lack of experience and understanding of the negotiating process for negotiated services. This created an environment of fear amongst public lighting customers, who understandably pushed back against reclassifying to negotiated.

To conclude, the City of Salisbury believes that better outcomes can be delivered for public lighting customers when they have a greater say in how and what they are charged for services and when there are clear agreed rules to do so. This is best served by a negotiated classification.

Yours sincerely

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