

12 February 2015

18 Pioneer St
PARKES NSW 2870

Ph: 0425 237 130
E: david@skilledassetmgt.com.au

Paula Conboy
Chair
Australian Energy Regulator
GPO Box 520
Melbourne Victoria 3001

Submitted via email to: nswactelectricity@aer.gov.au

Dear Paula

I am submitting this letter as a member of the Essential Energy Rural Advisory Group. The Rural Advisory Group comprises of eight members who represent a broad range of community groups across the Essential Energy network area, with particular focus on rural and regional customers. The Rural Advisory Group has had a long standing relationship with Essential Energy over 18 years, providing feedback and advice with regards to network management from the customers and communities the group represents.

As a group representing rural and regional customers in NSW, the Rural Advisory Group has a number of concerns with the Australian Energy Regulator's (AER) draft determination and the impact this will have on customers. The concerns and service requirements of rural and regional customers are different to their urban counterparts. Electricity is required to reach even the smallest of towns in far west regional NSW to ensure people can continue to live in these towns.

The first customers to be affected by the AER's proposed capital and operating expenditure allowances will not be those in more populated areas, but the people in the western areas of the state where they can least afford to any cuts to service or a reduction in staff who are located in a reasonable proximity to minimise the length of blackouts.

Attracting, employing and retaining employees in small regional towns is pivotal to the life blood of the town. The potential impact to reliability if the AER's draft determination were to be implemented would be detrimental to managing and operating a small businesses and facilities in regional NSW. For example, a teacher won't want to be stationed to Tibooburra if they know that the likely hood of lengthy power outages on hot days when air conditioning would be a must for city counterparts. School of the Air requires electricity to provide education to rural kids. Customers currently experience a level of acceptable reliability in their power supply, decreasing this lowers peoples standard of living, when this should be maintained in today's society.

The effects of longer power outages are different and significant to those experienced in more urban areas. No power means there is no water supply for houses and stock, no irrigation for crops, no access to pumps during a drought, perishable food that can't be easily replaced due to the sheer distance to shops is lost, communication channels are compromised as is the ability to undertake simple transactions like banking.

An unreliable power supply also impacts health services. From medical services through to powering airstrips for medical and trauma retrieval, power is an essential element to providing regional health services. In addition, 15,000 life support customers across Essential Energy's network area rely on electricity to power medical equipment to support human life on a 24/7 basis.

Reducing reliability has flow on effects to safety for employees of Essential Energy and the customers they serve. Increased blackout times could see people attempt to rectify faults themselves, an activity which is simply not safe. The AER must seriously consider the due diligence report from R2a which examines the enormous increase in risk of network failure and safety. How can a body such as the

AER accept that their determinations could cost lives and property? The AER has shown no concern or regard for employee and public safety, bushfire and vegetation management or life support customers.

Essential Energy is a significant employer in regional and rural NSW. As an organisation they ensure skilled people are located in close proximity to their assets and customers. If the AER's draft determination were implemented, the immediate loss of 1500 jobs would have a significant impact on not only service levels but the communities in which Essential Energy employees live. The AER has shown no concern or regard for the potential loss jobs and the impact of this on families and small rural communities.

Reducing employees also means employees are located further away from network assets. This means that the most far reaching customers experience even greater response times and declines in service levels. It would be completely unacceptable to have employees located so far away from assets in cities, so why is this seen as acceptable in country areas?

The AER has utilised benchmarking as a tool to allocate capital, operating and revenue allowances to Essential Energy. The Rural Advisory Group believes there is significant flaws in the AER's approach. In comparing Essential Energy to Citipower in Melbourne as a means to justify its decision the AER has erred. There is simply no way that the costs of operating a network as small as Citipower can be compared to one of the largest networks in the world.

With a network as large as Essential Energy drawing a comparison of cost per customer instead of looking at the sheer number of assets that require upgrading and maintenance is folly. There are only 4.42 customers per kilometre of powerline.

Essential Energy's original and revised proposals both budgeted for reductions in operating expenditure and capital expenditure. These appear to be entirely reasonable on top of savings already achieved in the 2009-14 regulatory period. The capital expenditure budget is 43% lower than that approved by the AER in 2009-14 regulatory period.

The operating expenditure reduction is quite small because of new technology identifying faults in the network that were previously not seen. It is essential that this aerial patrol program is continued to ensure that the network is maintained in the safest condition possible. The evolution of LiDAR technology has provided an additional level of information with a great degree of accuracy when compared to a visual approach. It would be irresponsible for Essential Energy to ignore this data or discontinue its use when it brings such significant benefits to reducing the risk of bushfires.

Networks NSW and the NSW Government have a five year objective to reduce energy prices. However the AER seems to be determined to make this reduction happen in the first year with complete disregard to reliability and safety. It is imperative the AER review its decision in line with an understanding of the tangible impacts on safety and reliability in regional and rural NSW.

Please note that I have also sent a separate submission.

Kind regards,



David Hughes
Essential Energy's Rural Advisory Group Member