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30 October 2008

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

Dear Mr Buckley,

Response to submissions on EnergyAustralia's public lighting proposal

Public lighting customers are key stakeholders in the 2009-2014 price determination process. In this context, we consider it important to respond to the concerns raised in the submissions from public lighting customers. EnergyAustralia's response to submissions on its public lighting proposal is set out in the attached table. We hope this addresses stakeholder concerns and assists the AER in its consideration of these issues prior to making its draft determination.

EnergyAustralia's public lighting proposal includes price rises driven by two factors. First, EnergyAustralia is committed to removing the cross subsidisation of public lighting services which has historically resulted in prices well below the cost of service. It should be noted that between 2009 and 2014 EnergyAustralia's proposal still results in \$8 million of the cost of public lighting being paid for by EnergyAustralia. The AER's guideline on alternative control services recognises the importance of cost reflectivity, which will be achieved by the end of 2014.

Secondly, public lighting customers demanding energy efficient public lighting components will incur higher costs to install and maintain these components but will enjoy other benefits such as reduced energy consumption. Public lighting customers are best placed to make the investment decision weighing up the respective costs and benefits of different public lighting options based on their own circumstances.

EnergyAustralia has used a pricing model that calculates a price for each public lighting component using an annuity approach. Each component price is based on the real annual operating and capital cost of that component. This approach ensures that the full cost of the asset is recovered over its life and there are no cross subsidies between assets or between customers.

Public lighting customers raised many concerns in their submission. We have addressed the comments that are relevant to the determination of prices for 2009-2014. We note that stakeholders also raised issues outside the scope of this determination process. We would be glad to meet with the AER to discuss these matters if appropriate.

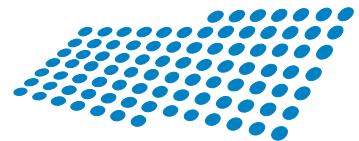


Should you have any questions in relation to this submission please contact Ms Catherine O'Neill on (02) 9269 4171.

Yours sincerely



Trevor Armstrong
Executive General Manager (Acting)
System Planning and Regulation



EnergyAustralia®

Response to submissions on EnergyAustralia's public lighting proposal

There were 36 public lighting customers that made one or more submissions to the AER in relation to public lighting. The following 24 customers (referred to as "the Group of Customers") made identical submissions:

- Ashfield Council
- Botany Bay City Council
- Burwood Council
- Canada Bay City Council
- Canterbury City Council
- Gosford City Council
- Hunters Hill Council
- Hurstville City Council
- Kogarah Council
- Ku-ring gai Council
- Lake Macquarie City Council
- Lane Cove Council
- Leichhardt Council
- Marrickville Council
- Mosman Municipal Council
- Newcastle City Council
- North Sydney Council
- Port Stephens Council
- Randwick City Council
- Rockdale City Council
- Strathfield Council
- Sutherland Shire Council
- Sydney City Council
- Waverley Council

The other councils that made submissions are:

- Bankstown City Council
- Baulkham Hills Shire Council (very few lights in EnergyAustralia's network area)
- Blacktown City Council (not in EnergyAustralia's network area)
- Camden Council (not in EnergyAustralia's network area)
- Campbelltown City Council (not in EnergyAustralia's network area)
- Fairfield City Council (not in EnergyAustralia's network area)
- Kiama Municipal Council (not in EnergyAustralia's network area)
- Parramatta City Council (very few lights in EnergyAustralia's network area)
- Riverina Eastern Regional Organisation of Councils (not in EnergyAustralia's network area)
- Southern Sydney Regional Organisation of Councils
- Warringah Council
- Western Sydney Regional Organisation of Councils (only Bankstown, Auburn, Parramatta and Baulkham Hills have streetlights in EnergyAustralia's network area).

Issue	EnergyAustralia response
<p>Price increases</p> <p>The group of customers noted that it was fair and reasonable that pricing should reflect the efficient cost of service. Despite agreement with this principle, the group of customers were concerned that EnergyAustralia's price increases were too high, noting the following:</p> <ul style="list-style-type: none"> • a 38.6% real increase in capital and maintenance charges for public lighting; • a 90.2% real increase in network distribution charges for public lighting; • these are further increases to the 40% increases in capital and maintenance charges since 2005; • the first year increase in capital and maintenance charges amounts to 11% plus CPI; • there are large component price movements; and • SSROC added that the magnitude of EnergyAustralia's increases requires more substantiation because there has been a history of large price increases. 	<p>EnergyAustralia's prices for the 2009-14 regulatory period are based on the efficient cost of providing public lighting services. Price increases are driven by two main reasons: 1) public lighting customers' push for expensive energy efficient lighting; and 2) a significant reduction of subsidies which has led to public lighting customers not been charged cost reflective prices in the past.</p> <p>Past cross subsidies</p> <p>Public lighting customers received significant cross subsidies, as illustrated in figure 1. These subsidies are derived from:</p> <ul style="list-style-type: none"> • network customers over 1999-2004 regulatory period. This was explained in EnergyAustralia's 2005 submission to IPART¹; and • EnergyAustralia during the 2004-2009 period. IPART removed the cross subsidy when it deemed Public Lighting to be an excluded service in 2004. <p>Figure 1 – Cross subsidies to date</p> <p>Source: EnergyAustralia submission to IPART 2005, page 4.</p> <p>The effect of these subsidies can be viewed in two ways. First, the revenue that EnergyAustralia recovered for public lighting services was lower than the cost of providing the service. Secondly, public lighting customers received prices much lower than the efficient cost of providing the service. In either case, the regulatory framework ensures that the revenues from operation of the distribution network cannot be used to offset the public lighting business. It is therefore curious that SSROC is concerned that EnergyAustralia's proposal would</p>

¹ EnergyAustralia, *EnergyAustralia's submission to Independent Pricing and Regulatory Tribunal, EnergyAustralia's Revised Public Lighting Pricing Proposal*, June 2005

Issue	EnergyAustralia response
	<p>result in public lighting customers subsidising network tariffs. This is certainly not the case.</p> <p>EnergyAustralia's public lighting pricing proposal does not propose prices that result in public lighting customers subsidising network customers. Rather the proposed prices aim to achieve cost reflectivity and minimise cross subsidies.</p> <p>EnergyAustralia has applied cost reflective prices in its proposal. To facilitate a smooth transition to these prices, EnergyAustralia has introduced a rebate mechanism which limits the increase in customers' annual bills to 11% plus CPI. For the avoidance of doubt, these rebates are a subsidy from EnergyAustralia, not from other network customers. The rebate mechanism is forecast to cost EnergyAustralia \$8 million over the 2009-14 period. At the end of the 2009-14 period, almost all public lighting customers will be paying cost reflective prices for the services they consume.</p> <p><i>Energy Efficient Lights</i></p> <p>The second reason for increases in public lighting prices is the increased use of more expensive energy efficient lights. This transition to energy efficient equipment is being advocated by public lighting customers as it will reduce costs of electricity consumed by these assets. EnergyAustralia fully supports the increased use of efficient lights. However, EnergyAustralia believes the higher capital and maintenance costs of providing energy efficient lights must be reflected in prices to customers to ensure that customers can make informed choices between energy efficient and standard public lighting equipment.</p> <p>The benefits of energy efficient lights accrue to public lighting customers². It is therefore appropriate that public lighting customers pay the cost of these energy efficient lights.</p>
Public lighting customers' budget	<p>Many public lighting customers noted how much they pay per annum for street lighting compared to their annual budget increases. For example Bankstown Council paid \$1.5m in 2001/02 and currently pays \$2.2m. Customers noted that further increases in public lighting costs would be unaffordable due to "rate pegging". SSROC noted that public lighting customers have only 3.2% inflation allowed in their annual revenues.</p> <p>Campbelltown public lighting customer quoted the Independent enquiry into the Financial Sustainability of NSW Local Government</p> <p>EnergyAustralia is unable to comment on the process under which public lighting customer budgets are prepared or approved. EnergyAustralia is sympathetic to the situation public lighting customers are in, but notes that the issue of rate pegging is outside the scope of this determination process.</p> <p>In its proposal, EnergyAustralia has sought regulatory approval for prices that will allow the recovery of reasonable capital and operating costs associated with provision of public lighting services. Under the proposal, customers can choose the type of public lighting assets they require and are charged the costs associated with those assets.</p> <p>Public lighting customers have benefited from significant cross subsidies in the past which have no doubt been passed on to rate payers in those regions. The choice of energy efficient public lighting, whilst more expensive</p>

² The direct benefit of energy efficient lighting is that public lighting customers consume less energy and therefore have a reduced energy bill. The indirect benefit is that reduced energy consumption means reduced greenhouse gas emissions. These benefits accrue to the general public and therefore are most appropriately addressed through government policy.

Issue	EnergyAustralia response
<p>which stated:</p> <p><i>It seems that the State Government often sets the peg below generally accepted cost indices and makes determinations for individual Councils without providing adequate explanations.</i></p>	<p>in a capital sense, will result in benefits of lower energy bills which will also be passed through to customers. EnergyAustralia believes that its proposal is equitable and fair because it facilitates choice and ensures that the costs of services is borne by those who enjoy the benefits of those services.</p>
<p>Benchmarking</p> <p>The group of customers noted that the review should include cost analysis that is benchmarked. Various other public lighting customers supported these comments. Bankstown Council claimed that EnergyAustralia is known for prices being in excess of efficient cost. In particular it claimed:</p> <ul style="list-style-type: none"> • In 2003, EnergyAustralia submitted, without basis, that the ESC's productivity assumptions were unrealistic. • In 2005, Bankstown and SLIP analysis showed that EnergyAustralia's proposed prices (at that time) were 44% to 147% greater than the costs assessed by the ESC. • The same review showed that EnergyAustralia's labour productivity for repair and replacement was "starkly at odds" with the ESC analysis. • EnergyAustralia's proposed price for the "T5 lights" was 84% higher than that offered by Integral. <p>SSROC provided a comparison of EnergyAustralia's and Integral's "Rate 1" prices and showed a large difference, which it stated must be explained. It also agreed that benchmarking with the ESC work is required.</p> <p>It is worth noting that RERO provide a similar comparison between Country and Integral Rate 2 prices. This showed that Integral's prices were also much lower than Country Energy's.</p>	<p>In February 2005, EnergyAustralia filed an extensive report with IPART on the difficulties of benchmarking public lighting prices between Victoria and NSW. In summary, in 2001 the ESCV classified public lighting as an excluded service on a prospective basis, applying only to future investment. In contrast, IPART's 2004 determination changed the classification of services on all public lighting infrastructure then in service.</p> <p>In practice, this meant that the majority of Victorian public lighting costs (particularly opex costs) continued to be borne in network tariffs, with the exception of new public lighting investment from 2001. Public lighting prices in Victoria will not be founded on a comparable basis with NSW until all the "pre-2001" equipment is retired in Victoria, which could be up to 35 years from 2001.</p> <p>EnergyAustralia is not privy to the costs or details behind Integral Energy's public lighting proposal. However, it can be inferred that if Integral Energy's prices are substantially below prices proposed by EnergyAustralia and Country Energy, that significant subsidies must be present within Integral Energy's public lighting customer bills. If this is the case, a direct comparison of prices between the two providers is not appropriate unless reference is made to the underlying cost of service provision. As mentioned above, EnergyAustralia has sought regulatory approval of prices that allow for the recovery of reasonable costs of public lighting service provision as proposed by the National Electricity Rules. Therefore, the AER must review the costs proposed by EnergyAustralia that underline our proposal, rather than compare prices with other service providers who may have a different pricing philosophy.</p>

Issue	EnergyAustralia response
Billing SSROC, amongst other submissions, noted that EnergyAustralia's proposal does not include adequate information and customers will have a difficult time funding the increased bills.	Each public lighting customer is provided with details of the composition of EnergyAustralia's charges in its bill. EnergyAustralia issues separate bills for SLUoS (street lighting charges), which includes capital and maintenance charges, and another bill for energy use and NUoS (network use of system charges). Accompanying EnergyAustralia's SLUoS bills are detailed sheets of the customer's public lighting inventory in their area. This inventory details each component in use within the customer's area (i.e. MBF80 or 2m outreach bracket). The inventory lists show by each component type, the number of assets in service, the rates, the units added, units deleted, total units for the current month, annual charges and the total for which the public lighting customers is billed. EnergyAustralia considers that this level of detail allows customers to manage their streetlight inventory and control the costs of their public lighting asset and service decisions.
T5 versus 42W CFL Bankstown Council has argued strongly ³ that it preferred a T5 energy efficient light, rather than the 42 watt CFL chosen by EnergyAustralia. In September 2007, a Bankstown public lighting customer asked DWE to "pay serious attention to" Bankstown Council's "Strategic Business and Policy Issues". One of these issues asked that EnergyAustralia be pressured to "replace all globes with either 2 x 14 watt T5 globes or a 42 watt compact fluorescent globe in its Council member areas". In its more recent submission to the AER (and correspondence to EnergyAustralia) Bankstown Council has stated its stronger preference for the T5.	EnergyAustralia believes that the T5 energy efficient light and the 42 W CFL are comparable in performance terms, but has chosen the 42 W CFL as it is the cheaper of the two lights. In reviewing its performance EnergyAustralia has considered: <ul style="list-style-type: none"> • Analysis of these luminaires and studies from the trials carried out by EnergyAustralia (some results of which have been shared with SLIP public lighting customers - Program manager and SSROC); • Manufacturer information and technical specifications; and • Other studies. As a result of this analysis, and in the interest of public lighting customers, EnergyAustralia intends to install the 42W CFL as the default lamp. However, if prices are set at cost reflective levels as proposed by EnergyAustralia, we will be indifferent to the type of luminaire that councils wish to install. EnergyAustralia has argued that with prices set at cost reflective levels, forward investment decisions can be made by councils in full knowledge of the costs of those choices. EnergyAustralia applied to IPART seeking approval of prices for energy efficient street lighting components and has written to public lighting customers about the energy efficient lighting options available. EnergyAustralia intends to accelerate the replacement program of older installations with new energy efficient lighting options as soon as pricing negotiations are finalised either with IPART or directly with public lighting customers.
Climate change concerns Public lighting customers noted that climate change has given rise	Climate change is a priority for EnergyAustralia and for local councils. However, the policy response to climate

³ Correspondence received on 2 June 2008.

Issue	EnergyAustralia response
<p>to the need for energy efficient lighting. They were also concerned that the Energy Savings Fund grant was not spent.</p>	<p>change is outside the scope of this review and best addressed through other national or state government forums. When a carbon trading scheme is introduced, the cost of the Federal Government's climate change response will be reflected in energy costs traded in the national electricity market. This carbon cost, together with efficient prices for energy efficient lighting infrastructure, will provide a clear pricing signal to councils that will allow them to make appropriate investment decisions that way up the costs and benefits of public lighting to the community.</p> <p>In relation to the Energy Savings Fund (Climate Change Fund) grant, DECC granted \$4m to (29) Councils from the Energy Saving Fund to introduce new public lighting technologies in their Council areas. SLIP applied for this grant which was approved by the Department. EnergyAustralia's public lighting proposal facilitates the selection and introduction of energy efficient lighting at cost reflective prices.</p>
<p>Fixed charge</p> <p>WSROC considers that in the light of greenhouse issues, EnergyAustralia should not be increasing fixed charges. An increased fixed charge provides an incentive to buy cheaper capital and consume more energy.</p>	<p>Public lighting is defined as an alternative control service and, as such, is not subject to a building block determination. As a result, EnergyAustralia's proposed control mechanism for public lighting is separate from that of distribution network charges.</p> <p>EnergyAustralia's public lighting SLUoS (street lighting use of system) pricing proposal does not include fixed charges. Customers are charged on a variable basis (i.e. they are charged per unit of installed public lighting components). EnergyAustralia's NUoS (network use of system) charges include a fixed charge. However, it should be noted that the NUoS tariff for public lighting customers does not include a fixed charge.</p>
<p>Process & Transparency</p> <p>SSROC noted that they had provided a detailed background briefing to the AER on 21 July 2008.</p> <p>The group of customers considered that it was unreasonable to expect them to provide meaningful input without full information disclosure in a reasonable timeframe. SSROC requested more information in the AER's review process to ensure that prices for street lighting services are set transparently.</p> <p>WSROC also called for increased transparency and information from the AER process.</p> <p>Baulkham Hills Council raised "serious concerns" about the validity of the AER's consultation process.</p>	<p>EnergyAustralia has participated in the AER's consultation process and provided all information that it has been requested to provide by the AER. EnergyAustralia has also provided specific information for public lighting customers (via the AER) of the proposed public lighting price increases for the 2009-14 period.</p>

Issue	EnergyAustralia response
<p>Cost to serve modelling and the annuity approach</p> <p>The group of customers noted that by 7 August 2008, EnergyAustralia had yet to provide underlying Cost-to-Serve modelling to public lighting customers. Bankstown Council supported this and requested more time to make a comprehensive submission when the modelling information becomes available.</p> <p>SSROC claimed that the information provided by EnergyAustralia was not as much information as that provided in the previous review. Further that the information provided is not sufficient to understand the proposed price changes nor does it address the issues in SSROC's 16 July letter to EnergyAustralia.</p> <p>SSROC's concern was that the information provided was total capex and opex for asset types, without a breakdown into labour, breakdown repairs, etc. It also claimed that EnergyAustralia has not provided any supporting evidence and is impeding a detailed review and comment.⁴</p> <p>SSROC claimed that the annuity method of modelling is inappropriate because:</p> <ul style="list-style-type: none"> • there is no precedent for its use in the Australian electricity sector and because it is "novel"; • EnergyAustralia's similar proposal in 2004 was not supported by IPART and was withdrawn by EnergyAustralia; • Based on the 2004-05 proposal, it assumes that the assets are all new and thus overstates the capital cost recovery by 12%. SSROC also claimed that, based on information from EnergyAustralia dated 13 August, the overstatement is by up to 18%; • The 2004 criticisms have not been addressed by EnergyAustralia. If these concerns were addressed, this approach might be applied by a cautious regulator. <p>SSROC asked that the AER review the modelling, including all</p>	<p>As discussed in Part 2, Section 7.6.3 of the June 2, 2008 regulatory proposal, applying a correctly rolled forward regulatory asset base would cause prices in 2009/10 to be higher than prices calculated using the asset valuation methodology proposed in EnergyAustralia's regulatory proposal. Applying an asset base roll-forward approach requires EnergyAustralia to apply a CPI – X price path across all public lighting components to develop unit prices for each component. Unit prices would not only be higher under the RAB roll forward approach, but would result in extensive cost cross subsidisation across components.</p> <p>In its November 2004 public lighting proposal EnergyAustralia proposed a building block by component approach ie. not an aggregated RAB roll forward approach. Page 16 of this proposal states "<i>Each asset has been valued independently, according to its replacement cost. It should be noted that each asset class (for example, luminaires) has multiple individual types of assets all of which have been costed separately.</i>" This approach was subsequently approved by IPART.</p> <p>In 2008, EnergyAustralia has therefore carried out a similar building block approach on each public lighting component. The prices generated are based on a return on & of asset and an operating cost per component. The exception is that an annuity method is used instead of an approximation of the return on asset (ROA). This approximation of ROA assumed that all of the components were half way through their economic lives. However the annuity method accurately prices components using widely accepted "time value of money" financial principles. It generates twenty equal annual payments that correspond to the upfront capital cost incurred by EnergyAustralia when installing components. It should be noted that Energy Australia assumes that all components except lamps have twenty year economic lives.</p> <p>Public lighting prices are based on the application of a real rate of return to the assets, which are valued at the cost of replacement. To apply a nominal historical asset base, as suggested in the SLIP submission would result in prices that do not reflect the current cost of materials. In order to meet the AER's objective of cost reflective pricing, EnergyAustralia obtained the latest cost of materials and updated the model accordingly.</p> <p>EnergyAustralia has provided a very detailed level of information supporting its proposal for the AER's consideration including its public lighting model. EnergyAustralia does not believe it is appropriate to provide commercially sensitive third party information to customers. However, EnergyAustralia has provided this information to the AER on a confidential basis to allow them to make a fully informed pricing determination.</p> <p>EnergyAustralia is happy to work with the AER and customers to provide other non-commercially sensitive information that may be useful to informing the debate around the true cost of public lighting services.</p>

⁴ It referred to a letter to EA's CEO dated 16 July 2008.

Issue	EnergyAustralia response
<p>assumptions such as asset life. SSROC notes EnergyAustralia has proposed a 20 year asset life and considers 35 years, as applied by the ESC, to be more appropriate.</p>	
<p>Rate 4</p> <p>SSROC criticised EnergyAustralia's proposed rate 4 prices on the basis that:</p> <ul style="list-style-type: none"> • It is unclear why, having paid out undepreciated capital, there would be a basis for a Rate 4 tariff; • It is unclear how long the rate 4 would apply; • It would be inappropriate because assets have an assumed life so how would the stranded value be determined. The real asset age should be used; • Any reimbursement of stranded value should be based on historical cost not replacement cost; • The current replacement value of the stranded assets act as a barrier to exit for public lighting customers who wish to install their own lighting where possible. 	<p>EnergyAustralia has developed a new rate in response to public lighting customers' requests to replace assets that have not reached the end of their useful lives with energy efficient lights. Rate 4 applies to luminaire and brackets only, and is priced in the same way as a Rate 1 but with one exception. Rate 4 takes into account the additional maintenance cost required when replacing either a luminaire or a bracket. Typically 90% of the capitalised labour is allocated to the bracket and 10% to the luminaire. With Rate 4 prices, 100% of this capitalised labour has been allocated to the component that is being replaced, regardless of whether it is a bracket or a luminaire. This assumption has been made because in these circumstances both the luminaire and bracket will need to be refitted at the same time.</p> <p>Consideration was given as to whether Rate 4 should recover the residual value of the asset that is being replaced before the end of its useful life. EnergyAustralia viewed that for modelling purposes it would be difficult to predict which components customers would want to have replaced early, and therefore the decision was made to exclude from the model the lost residual value of the asset that has been replaced.</p>
<p>Regulatory Regime</p> <p>The group of customers noted that street lighting is a monopoly service and Bankstown Council added that customers need the AER to provide protection to ensure prices do not exceed efficient cost. The group noted that the regulatory regime lacks:</p> <ul style="list-style-type: none"> • Contracts [for service provision]; • binding service regulation; • effective regulatory oversight of pricing to date; • clear recourse for non-compliance with the voluntary Public Lighting Code; • clear recourse for mis-investment in lighting types not supported by public lighting customers (i.e. 80 Watt MV 	<p>EnergyAustralia considers that there is some scope to improve the regulatory framework that currently applies to public lighting. However, we consider that it would be inappropriate to make significant changes to the existing regime without full public consultation, commencing with an AER statement of approach. Such a review should occur at a national level and could not be realistically completed within the time allowed for this review.</p> <p>EnergyAustralia's proposal was developed to meet the National Electricity Rule requirements and did not envisage significant change from the existing regime. If there were to be a significant shift away from current practices imposed by the AER as part of this review, EnergyAustralia would need to consider its component pricing to ensure that the cost of any change in service provision could be met.</p>

Issue	EnergyAustralia response
<ul style="list-style-type: none"> instead of low watt energy efficient lights); clear avenues for recourse for unwarranted delays and obstacles to the timely adoption of energy efficient lighting. <p>WSROC called for the AER to introduce appropriate regulated service incentives.</p>	
<p>Past investment</p> <p>Bankstown Council considers that EnergyAustralia uses obsolete lighting technology, despite the Councils' "2003 Public Lighting Strategy".</p> <p>SSROC claims that EnergyAustralia was installing the TF2*20 15 years after this lamp was recognised as obsolete. SSROC claims that public lighting customers should not have to bear the costs associated with EnergyAustralia's poor investment decision to install these lights. The cost is now implicit within customer's energy bills.</p>	<p>EnergyAustralia's approach has been to evaluate and install luminaires that would avoid a maintenance regime that would increase cost of service to public lighting customer and decrease the effectiveness of public lighting to the community.</p> <p>In January 2004, EnergyAustralia concluded after a detailed analysis, that the 80W mercury vapour lighting (MBF 80W) was the most efficient lighting option for residential roads from a capital and maintenance perspective.</p> <p>In 2004, a replacement program was commenced to replace the TF2*20 luminaires with MBF 80W luminaires. This program was slowed to allow the evaluation of new energy efficient technology. EnergyAustralia commenced a two-year trial of a new tubular fluorescent luminaire, the T5 MK 1. The results of the trial including durability and reliability performance were provided to the manufacturers, who subsequently introduced a new version of the T5 referred to as the MK 3.</p> <p>In 2007, EnergyAustralia commenced a second trial to evaluate the T5 MK 3. At this time, another new energy efficient luminaire, the Compact Fluorescent Lamp (CFL), was included in the trial.</p> <p>In late 2007, EnergyAustralia reviewed the 5-6 months of trial data and as a result both luminaires were determined to be appropriate substitutes for the existing residential luminaires. As a result of this review, EnergyAustralia wrote to public lighting customers, informing them of the proposed prices for both luminaires. This correspondence explained that EnergyAustralia's preferred luminaire was the CFL, but noted that public lighting customers would be able to choose either luminaire. It was also noted that customers should be aware of the higher ongoing maintenance cost associated with the T5 MK 3.</p> <p>EnergyAustralia has determined that until public lighting customers choose a lighting type, it will install its default lighting type, the CFL, when TF2*20 luminaires fail beyond repair.</p>
<p>Council responsibility</p> <p>The group of customers claimed that they have responsibility for the safety, security, energy, greenhouse gas emissions and costs</p>	<p>EnergyAustralia agrees that it should be clear what service is being paid for in public lighting prices. It is also important that EnergyAustralia's distribution network customers do not pay for public lighting services.</p>

Issue	EnergyAustralia response
of lighting, but have no meaningful control over key aspects of the service provided. The group of customers expressed the need for the AER's pricing decision to be clear about what is being paid for.	Public lighting customers have previously lobbied for the roll-out of energy efficient luminaires without trials. EnergyAustralia considers that it has been responsible by ensuring that trials were undertaken prior to energy efficient lights being offered to customers. These trials were important to reduce the risk that the new technology would suffer from a critical infancy failure issue which could have resulted in increased costs to customers.
Correspondence	
On 2 June and 28 July, Bankstown Council wrote to EnergyAustralia regarding its concerns. It noted that its concerns were "unheeded by EnergyAustralia".	<p>EnergyAustralia responded to Bankstown and SSROC (who represent Bankstown Council amongst other public lighting customers in the SLIP program). The issues raised in this correspondence have been addressed above in the sections on 'Obsolete Technology', 'T5 versus CFL' and 'Benchmarking'.</p> <p>In summary, EnergyAustralia required that a trial of the T5 (MK 1) take place before it would commit to large scale replacement of the TF2*20 luminaires. The T5 (MK 1) has now been replaced with the T5 (MK 3) version, which is currently offered by EnergyAustralia to public lighting customers. The decision to trial the technology is seen by EnergyAustralia as a prudent decision that mitigated risks of asset infant mortality and thereby reduced costs to public lighting customers.</p>