

10 February 2015

Mr Warwick Anderson
General Manager - Networks Branch
Australian Energy Regulator (AER)
GPO Box 3131
CANBERRA ACT 2601

Dear Mr Anderson

Submission to the Essential Energy 2014-19 Determination – Public Lighting

Eurobodalla Shire Council supports the *Draft Decision of the Australian Energy Regulator on the Essential Energy 2014-19 Draft Proposal* in relation to public lighting charges. Council supports the decision to allow Essential Energy a moderate increase in public lighting charges in the coming years. The *Essential Energy Revised Regulatory Proposal - January 2015*, accepts only some of the decisions of the Australian Energy Regulator (AER) and continues to propose significant increases in charges for public lighting. Council objects to the public lighting charges proposed by Essential Energy and maintains that they cannot be justified and should not be approved.

The key concern is the substantial increases proposed by Essential Energy to public lighting. The *Revised Proposal* forecasts a 55% or \$98,677 increase from 14/15 to 15/16 for public lighting charges to Eurobodalla Shire Council. As shown in Table 1 this would equate to over \$360,000 in extra charges to Council over the regulatory period compared to the *AER Draft Determination*. Eurobodalla Shire Council is not alone with all local government areas in the Essential Energy network experiencing significant increases to their public lighting costs. The public lighting charges are admittedly slightly less than those originally proposed by Essential Energy in their *Draft Proposal*, however, this large and unexpected increase cannot be borne by rate-pegged rural councils with a relatively small rate base.

Council appreciates some of the recent efforts by Essential Energy to liaise with local councils and Regional Organisations of Councils and the establishment of a Street Lighting Consultative Committee. The recent progress made by Networks NSW in preparing a tender for the purchase of LED lighting technology is also welcome, however, it is unfortunate that these developments have only been recent and Essential Energy has not been at the forefront of this initiative.

Essential Energy has not been proactive in liaising with councils and fast-tracking energy and labour saving technologies like LEDs. The potential for increased street lighting charges may not have been as necessary if greater efficiencies and savings had been realised to accommodate the proposed increases.

In their *Revised Proposal* Essential Energy suggest “that some councils would prefer a transition period for any increases over multiple years rather than a large step in the 2015/16 year.” Essential Energy continue by stating that “Essential Energy is prepared to work with councils to assist in managing the step change, *provided the cost reflective revenue is fully recovered over the regulatory period.*” (emphasis added). No details on a proposed transitional budget are detailed by Essential Energy in their *Proposal*.

Essential Energy suggest that although they are prepared to allow a transition period they would expect a full cost recovery over the regulatory period. This implies that although Essential Energy may allow only a moderate increase in 2015/16, public lighting charges would quickly escalate in order for full cost recovery to be achieved. This proposal is unacceptable to Council.

A transition period would be more agreeable to Council rather than a large step increase in 2015/16, but not if it meant a full cost recovery of over \$360,000 in extra public lighting charges proposed by Essential Energy. The position adopted by the AER in the *Draft Decision* is Council’s preferred approach with only small increases allowed each year.

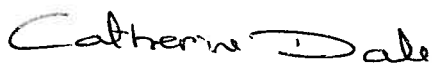
Table 1. Public lighting charges for Eurobodalla Shire Council

14/15 proposed income	15/16 proposed income	16/17 proposed income	17/18 proposed income	18/19 proposed income	Additional costs compared to AER Draft Decision
AER Draft Decision moderate annual increases					
\$179,803	\$186,995	\$194,475	\$202,254	\$210,344	\$
Increase from previous year	4.0%	4.0%	4.0%	4.0%	
Essential Energy Revised Proposal					
\$179,803	\$278,479	\$285,163	\$293,433	\$298,128	\$361,135
Increase from previous year	54.9%	2.4%	2.9%	1.6%	
Transition period with full cost recovery*					
\$179,803	\$197,783	\$237,340	\$308,542	\$411,538	\$361,135
Increase from previous year	10.0%	20.0%	30.0%	33.4%	

*A proposed budget for a transition period with full cost recovery is not detailed in Essential Energy’s Revised Proposal. The figures displayed here are demonstrative only.

In light of the changes made by Essential Energy in the *Revised Proposal* Council maintains the position taken in our original submission (07/08/14) to the *Draft Proposal*. We urge the Australian Energy Regulator to take its responsibilities seriously and deliver a positive determination for their customers.

Yours sincerely



Dr Catherine Dale
General Manager