

11 February 2015

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

Submitted via email to: [nswactelectricity@aer.gov.au](mailto:nswactelectricity@aer.gov.au)

Dear Ms Conboy

**Re: AER Draft Determination**

I write as both a member of the Essential Energy Rural Advisory Group and a resident of regional NSW to express my very great concern at the contents of the AER Draft Determination and the means by which the recommendations were developed. I believe that by benchmarking against urban distributors that do not have the same issues of distance and climatic conditions to face and against privatised distributors who do not have the same government imposed overhead cost structure, conclusions have been drawn that will significantly impair the ability of Essential Energy to maintain suitable reliability and safety levels throughout their network area.

This, in turn, will result in significant to those who live outside the metropolitan areas and particularly have a negative impact on the viability and competitiveness of regional businesses that depend on a reliable and safe electricity supply.

With my personal commitment to regional development, I have been a member of the The Rural Advisory Group for over 18 years. The Group has provided feedback and advice with regards to network management from the customers and communities the group represents. 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.

As a long term member of the Group, which represent rural and regional customers throughout NSW, I share, with all other Group members, 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. Living in a rural area, I personally understand the importance of electricity to 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.

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. Whilst it may be argued that enterprises should install standby power systems, that only imposes addition capital and ongoing maintenance costs on the enterprises that do and further disadvantages them against urban businesses.

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. The loss of skilled and aspirational Essential Energy employees to rural towns will have a negative on the towns. They are often the leaders in community groups and their children are often to ones at the local school who lead their peers by aspiring to trade qualifications or more.

The AER has utilised benchmarking as a tool to allocate capital, operating and revenue allowances to Essential Energy. I believe there are significant flaws in this 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 network areas in the world. Why not compare on a cost per square kilometre basis as well? Comparing on population only gives a distorted outcome.

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. As a professional engineer who has lived in both Melbourne and regional NSW, I cannot comprehend a decision to compare the cost of urban distribution with a regional network. It would be like comparing a suburban street to the Hume Highway.

The draft determination proposed reduction of 43% in the capital expenditure budget is totally inconsistent with the budget approved by the AER in the 2009-14 regulatory period. Given that the capital expenditure budget is largely replacement of parts of the network that have reached the end of their service life, the logic of this reduction escapes me as the rate of wearing out will certainly not have reduced by anything like that amount.

Essential Energy is introducing new technology identifying faults in the network that were previously not seen. It is essential that this aerial LIDAR patrol program is continued to ensure that the network is maintained in the safest condition possible. The use of this data must be continued as its use brings such significant benefits, particularly to reducing the risk of bushfires, an issue that is not nearly as significant in the urban areas that were benchmarked against. Following the recent disastrous Marysville fires in Victoria, I believe it would be irresponsible for the AER to impose restrictions to prevent use of the Best Available Technology to reduce bushfire risk.

In view of the foregoing, I consider it imperative that the AER review its decision in line with an understanding of the tangible impacts on safety and reliability in regional and rural NSW.

Kind regards,

*M.A. Feddersen*

**Essential Energy's Rural Advisory Group Member  
Concerned Regional NSW Resident and Business Operator**