

Council of City of Gold Coast

Final Submission – Energex Regulatory Proposal 2020-25

Post AER Draft Determination (October 2019) and

Energex Revised Regulatory Proposals and Tariff Structure Statements 2020-25 (December 2019)

January 2020

Energex Alternative Control Services 2020-25

Item Number/Name	Energex Proposal	City of Gold Coast Issue	City of Gold Coast Recommendation	Post EQL Meeting 23 July 2019 (per recommendation by AER)	AER Draft Determination findings – October 2019	Energex Revised Proposal December 2019	City of Gold Coast Recommendation
9. Public Lighting Overview	EQL state they own and operate 325,000 public lights	City notes the 325,000 public lights comprise of both NPL1 and NPL2 and are regarded in the same manner throughout the proposal.	EQL specify the breakdown of NPL 1 and NPL2 to reflect the originating funding source.	EQL confirmed the 325,000 public lights comprises of NPL1 and NPL2 but did not support categorising the portfolio of assets.	Those assets gifted to Energex are considered Energex 'owned', allowing them to operate and maintain these assets. While not technically incorrect, we have included mention of the quantity of these assets that have been gifted by customers.	Energex and Ergon Energy manage and maintain public lighting assets as a single portfolio and do not differentiate assets on the basis of their initial funding.	Noting the two categories have separate charging models and in the future, will require separate asset management requirements as part of the LED implementation, the City suggests EQL initiates appropriate differential capabilities within the portfolio for improved reporting.
10. Customer and stakeholder views	EQL notes LED replacement program target of 47% at moderate adoption by 2020.	City believes this statement is in error and should state target rate adopted by 2025.	Final determination to be amended to reflect correction.	EQL confirmed they will amend error.	Energex has confirmed this error; the target is 47 per cent by the end of 2025.	As per AER response.	City acknowledges both the AER and EQL response
11. Scope and obligations of public lighting services	<ul style="list-style-type: none"> EQL notes they have a legislative obligation to connect public lighting to their network. Their services include provision, installation, operation and maintenance. There is no legislated service standards for connection and maintenance No legislated instrument for roles and responsibilities between customers and DNSP A lack of legislated contestability framework that authorises third party providers A mix of non-binding operating codes and policies. 	<ul style="list-style-type: none"> City acknowledges EQL has a legislative obligation to connect public lighting to its network. City interprets that legislative obligation as facilitating a lighting asset (luminaires, outreach, and bracket) on an Energex (non-contributed) shared asset. City does not consider asset costs attributed to Energex assets ie poles and wires should be borne by the customer on NPL1 assets (non-contributed assets). EQL have a monopoly for lighting services, operation and maintenance for public lighting on the NPL1 and NPL2 assets, despite the lack of legislative framework and requirements relating to services standards, maintenance, roles and responsibilities. Prevention of alternative technology within current monopolistic framework. 	<ul style="list-style-type: none"> EQL to provide transparency between lighting assets costs and poles and wires on NPL1 assets. Customer to fund costs of lighting assets only on NPL1 (both current and future assets) with EQL responsible for funding poles and wires. Network costs to reflect funding of lighting assets only and not poles and wires (being Energex owned assets). Introduce contestability for services and maintenance on all public lighting assets with roles expanded to allow competition in the market. Services on Energex assets (NPL1) to be in accordance with EQL standards and policy. EQL's non-regulated business, Yurika to have opportunity to participate in contestable market to offer its services in lieu of Energex. NPL2 returned to customers will provide opportunities for customers to deliver alternative technology such as solar/battery solutions where appropriate. 	<ul style="list-style-type: none"> EQL advised NPL1 charging model includes costs of luminaire and outreach only. EQL unable to provide transparency of costs between poles/wires and outreach/luminaires for NPL1. EQL acknowledge that NPL1 assets with depreciation value of \$0 continues to enjoy depreciation and ROA costs as part of their pricing model. EQL confirmed NPL2 has a renewal accrual of 10%. City advised that assets with a Depreciation value of \$0 should be moved to NPL2 to reflect true pricing structure (noting NPL2 has no depreciation/ROA) No discussions regarding maintenance, service standards, roles and responsibility were held. No discussions regarding opportunities to deliver alternative technology were held. No discussion regarding contestable market opportunities were held. 	<ul style="list-style-type: none"> Energex is entitled to recover the costs of these assets. This recovery can be apportioned between standard control services and public lighting services (as alternative control services) in a way that reflects the shared usage. We support CCGC's recommendation that Energex provide more transparency around the cost breakdown of capital expenditure, demonstrating how much - if any - of the poles and wires costs are recovered through public lighting tariffs. While the AER promotes contestability in markets, the powers to introduce contestability lie with the jurisdictional government, i.e. Queensland Government. We note that Energex does allow for customers to own and maintain their own assets on the NPL3 tariff, with Energex only providing the electricity supply. We welcome further discussion between Energex and CCGC regarding this, 	<ul style="list-style-type: none"> As per AER response. Our practice is for dedicated steel poles to be included in the public lighting asset base. No shared pole and wire assets are assigned to the PLAB. As per AER response. Both Energex and Ergon Energy also competitively source most public lighting installation and maintenance activity. Energex and Ergon Energy continuously evaluate new public lighting technologies in conjunction with customers. 	<ul style="list-style-type: none"> City is not suggesting Energex should not recover cost of assets. However, it does note that EQL are unable to differentiate between its asset types, poles, wires, luminaires and therefore cannot accurately determine the number of dedicated and shared poles in its portfolio to ensure the appropriate and accurate management and charging are being applied. City continues to request EQL to provide transparency between lighting assets costs and poles and wires on NPL1 assets. City continues to suggest NPL2 assets should be returned to customers at the end of life particularly if the LED upgrade implementation is funded by the customer.

					<p>noting that alternative technologies could be best suited to the NPL3 tariff</p>		
<p>Summary of Post meeting (23 July 2019) discussions:</p> <ol style="list-style-type: none"> 1) City unable to validate if the cost of poles are included in the NPL1 Energex pricing structure due to lack of information and transparency regarding cost and asset breakdown for poles, luminaires and outreaches. Therefore, the City is very sceptical that poles are not included in the costs structure and recommend that EQL continue to deep dive into the makeup of the pricing structure. 2) City has suggested NPL1 assets which have been fully depreciated should be moved to NPL2. The NPL2 pricing structure incorporates the same pricing elements as NPL1 minus depreciation and ROA. NPL2 also includes a 10% renewal accrual for future capex upgrades. Therefore, the renewal costs for the original NPL1 asset would be captured in the NPL2 pricing structure for assets beyond 20 years. 3) Item 2 above would result in customers paying depreciation only once, whereas at the moment, customers are paying the depreciation costs and ROA during the first 20 years of the life of the asset, as well as after the depreciation period. 4) City concerned asset costs and consequently depreciation value for luminaries and outreaches on NPL1 are quite high and unsupported based on industry and customer experience as part of project delivery of public lighting. The then, inflated asset value rolls forward into the ROA and depreciation resulting in high costs to Councils. City recommends transparency of assets costs and overheads for renewal program be provided. 5) City acknowledges the delineation between regulated depreciation value and standard accounting depreciation value calculations. 							

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13. Public lighting – limited building block	<ul style="list-style-type: none"> EQL state the limited building block approach is used to determine the allowable revenues, then converted to service charges that are price capped for the regulatory control period. EQL state the PTRM covering the PLAB is used to create public lighting tariffs. 	<ul style="list-style-type: none"> It is assumed that EQL will conduct a complete Asset Re-valuation of the portfolio of assets at the time of LED changeover. Therefore the City is concerned the target 40% LED changeover within the regulatory period will have an effect on the RAB and in turn on the ROI on the building blocks model. EQL (per item 13.1) have significantly depreciated the network which could greatly affect the amount EQL will seek to recover from customers (LGA's/DTMR) within regulatory period 2020-25 and beyond. EQL are silent on whether they will seek an CSO to meet the 40% target changeover to LED. 	City recommends further discussion directly with customers (LGA's/DTMR) with EQL for complete transparency in this matter to prevent significant cost increases in future years. These discussions to be held between the parties prior to the next submission of the Energex Regulatory Submission 2020-25 to the AER.	<ul style="list-style-type: none"> EQL advised : <ul style="list-style-type: none"> They have assumed EQL would fund the LED changeover on NPL1 assets during the 2020-25 regulatory period. EQL could not provide information regarding funding source or how they would recover capex in future years for the LED changeover. The starting value of the asset base has not changed since deregulation nor can it be changed as it is determined by the AER. EQL cannot reapply asset base value AER chooses to roll forward the asset base value 	Energex proposed separate models for conventional and LED lighting. This allows for appropriate costs to be recovered from the relevant customers. The conventional lighting asset base will continue to be recovered from conventional lighting customers until the asset base is depleted. At that point, all customers will be using LED lighting, or will be paying a lower charge, net of capital costs (to be addressed in a future regulatory determination). There is no need for Energex to revalue any assets, and the value capitalised at the beginning of the asset will remain. We recommend further discussion between Energex and CCGC to offer further transparency.	Energy Queensland has directly engaged with CCGC and other customers to explain the application of the building block approach. Separate forums for Energex and Ergon Energy customers were also held prior to the release of the Revised Regulatory Proposal.	City holds its original position as both the AER and EQL have not considered the full costs in future years taking into account the tax implications surrounding customer funded upgrades to Energex 'owned' assets and the balance of the asset (outreach, pole) which remains as part of the conventional asset base post LED upgrade. The Energex Regulatory Proposal 2020-25 assumes LED implementation will be primarily customer funded, with minimum funding provisioned by EQL. The City suggests the AER conduct future costs modelling to ensure appropriate considerations have been made for the next regulatory proposal.
Summary of Post meeting (23 July 2019) discussions: <ol style="list-style-type: none"> City is still very concerned regarding the funding implications in future years to deliver LED to 40% of EQL's public lighting portfolio. More transparency is required in this space to avoid bill shock in later years. More work and transparency is required to understand the NPL4 pricing model. Further work is required to incentivise customers to participate in upfront funding 							

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13.1 Public lighting regulatory asset base	EQL proposes an opening PLAB value of \$155.60M as at 1 July 2020.	City acknowledges the calculation methodology which is not in question. The City disputes the value assumed by EQL to calculate the PLAB value.	EQL provide complete transparency of the RAB value showing public lighting per asset class separately to other assets.	<ul style="list-style-type: none"> EQL provided asset data per rate type including age of asset. EQL unable to provide pricing methodology based on asset data/class ie pricing based on post top (wood/shared assets) vs steel poles with lighting. 	Energex has used the AER's RFM to calculate the opening public lighting asset base value. Energex has confirmed errors in its capital expenditure and customer contributions and have updated the RFM to reflect the amounts provided in its annual RINs. This is reflected in a new opening asset value.	As per the AER response. Energex and Ergon Energy have been regulated by the AER since 2010. The AER has approved the opening PLAB.	Noted comments by both AER and EQL and suggest further discussions are required during the regulatory period to seek further transparency regarding asset inclusion.
13.2 Forecast capex	<ul style="list-style-type: none"> EQL notes the capex in 2020-25 regulatory control period is expected to be driven by customer funded LED program A proportion of non-network assets and capitalised overhead costs are included in the capex for public lighting 	<ul style="list-style-type: none"> City acknowledges its own aspiration to have a programed rollout of LED lighting should the ROI be feasible – refer to item 16 for comments EQL are silent on the total value of the non-network assets and capitalised overhead costs, as well as the proportioned amount/value of each item. 	<ul style="list-style-type: none"> EQL provide transparency regarding total value of non-network assets and capitalised overheads costs. 	<ul style="list-style-type: none"> Per above comment (#13) EQL stated in meeting of 23 July 2019, they assumed funding of 40% of LED changeover would be the responsibility of EQL which contradicts statement #13.2 in ACS proposal. No discussion took place in the meeting of 23 July 2019 regarding the non-network assets and capitalised overhead costs. 	Energex provided models for the capital expenditure for both conventional and LED lighting. These models show all components of the capital expenditure forecasts. Note our Draft Decision on capitalised overheads above.	As per the AER response	City acknowledges both the AER and EQL response
13.3 Demand	EQL notes it expects 47% of its 335,000 public lights to be LED.	EQL is silent on its expectations of funding responsibility to achieve this target	<ul style="list-style-type: none"> EQL provide its program plan to deliver 47% changeover to LED annually within the regulatory period 2020-25. EQL provide funding expectation by customers and EQL annually within the regulatory period 2020-25. 	<ul style="list-style-type: none"> EQL were unable to provide a program plan for LED changeover noting it now assumes the delivery and funding of the LED changeover will be the responsibility of EQL. 	Energex provided details of its LED rollout strategy in its Public Lighting Asset Management Plan. This included removal of mercury vapour lamps and luminaires from use, replacement of failed/life-expired lights, and new lights. This document also mentions approaches to minimising costs. We recommend further discussion between Energex and CCGC to offer greater transparency and recommend Energex addresses this further in its revised proposal, including clarity around who bears responsibility for the LED changeover. We note that LED tariffs are lower than conventional lighting, and that where a customer gifts the asset (or the LED only for NPL4), there should always remain a fiscal incentive due to decreased operating expenditure incurred with LED lighting.	47% LED penetration is a target which will be driven by the savings it affords our customers and our desire to remove from operation Mercury Vapour Lights (MVLs). Customers are under no obligation to switch but have an incentive to do so through the LED tariff structure. Energex and Ergon Energy will roll out LEDs – targeted to deliver operational cost savings and for the removal of MVLs. If the target is not met (or exceeded) more (or less) lights will remain on the conventional tariffs. We have provided additional detail on the LED rollout strategy in section 4 of this document.	<ul style="list-style-type: none"> The City suggests the Public Lighting tariffs presented by EQL in the Energex Revised Regulatory Proposal 2020-25 issued December 2019 do not adequately incentivise customers to fund the LED implementation on NPL1 (to NPL4). The City strongly recommends the tariffs in the AER Draft Determination issued October 2019 be considered for NPL1 to NPL4 (customer funded LED upgrade). The City suggests that should the Public Lighting tariffs in the Energex Revised Regulatory Proposal 2020-25 issued December 2019 are adopted by the AER, many customers will wait for Energex to fund the changeover in due course, which will

							negatively impact EQL's commitment to meeting its environmental goals and achieving its 47% target by 2025, not to mention the social expectations of our communities
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13.5 Regulatory Depreciation	EQL state the remaining life of the public lighting asset register is 11.89 years.	<ul style="list-style-type: none"> There have been numerous requests by individual councils in QLD to obtain a copy of the public light asset registers for their respective council areas. To date no such register has been provided. In addition to above, EQL have advised that asset management refers to light poles only and not to luminaires, outreaches, controls. 	<ul style="list-style-type: none"> EQL provide individual asset registers to respective councils for validation of age and condition of assets. Asset management consists of individual assets which include end of life age of pole, luminaire, brackets and outreach. 	<ul style="list-style-type: none"> EQL provided the City with an asset register for the Gold Coast jurisdiction. The register included pole and luminaire types; age of pole and rate type, as well as location and other administrative information. EQL unable to differentiate between age of pole vs age of luminaire. 	<ul style="list-style-type: none"> Energex has advised that it has since provided an asset register to CCGC. 	<ul style="list-style-type: none"> Energex and Ergon Energy maintain asset registries, which we can (and do) provide to customers. However, the PLAB does not identify individual assets, and is maintained as a total value only. 	<ul style="list-style-type: none"> The City suggests the AER provide information pertaining to the treatment of depreciation on NPL2 assets, as both the customer and EQL do not depreciate NPL2 assets. EQL have provided a customer asset list which indicates that over 50% of the City's poles exceed the depreciation period of 20 years. NPL1 poles that have fully depreciated are still being costed at the same value as assets still within the depreciated period. The asset list provided by EQL has not been managed appropriately in order to determine true value, age, location, luminaire, outreach etc., in fact the list provided to the City show assets dated 1911. Noting the inaccuracy of the data set being managed by EQL, the City suggests the PLAB value is also incorrect (considering the value is derived from the asset management system). The City recommends EQL to conduct a full audit of its Public Lighting network with considerations of the individual components associated with the public lighting assets. This audit to be completed with the first two (2) years of the 2020-25 regulatory

							period. • The findings of the audit to be made available in its original form to customers for full transparency.
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Summary of Post Meeting (23 July 2019) discussions:

- The City disputes the remaining life of the public lighting asset register of 11.89 years.
- The average age of most public lighting assets in Queensland are longer than above.
- It was identified that over 50% of NPL1 assets are fully depreciated in the Gold Coast portfolio.
- 4,302 are over 20 years with 7,338 over 30 years; 3,281 over 40 years; 1,661 over 50+ years. A total of 16,582 poles (with 16,576 being wood poles/shared assets).
- These depreciated assets are still being charged using the NPL1 pricing model which includes depreciation and ROA costs.
- City again suggests these fully depreciated NPL1 assets move to NPL2 to avoid being charged depreciation when assets have a depreciation value of \$0.
- Renewal costs included in NPL2 should be adequate to fund the replacements/renewal costs of the luminaire/brackets (on NPL2).
- Currently the customers seem to be funding the assets well beyond the assets' life and possibly even funding the cost of the pole which should be funded by EQL.

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13.7 Revenue requirements	EQL include Tax allowance in building block revenue requirements for all public lighting	<ul style="list-style-type: none"> City does not believe a tax allowance is required for NPL 1 and NPL 2. City has obtained advice from ATO regarding NPL 2 tax treatment. It would seem this tax treatment is to allow NPL 2 to be regarded in the same manner as NPL 1 in the RAB. The ATO suggest there is no tax liability. Most other states do not consider tax allowances in their calculation. 	<ul style="list-style-type: none"> City recommends no tax allowance in public light by EQL. Should EQL insist on the tax allowance, justification and calculation to be provided. 	<ul style="list-style-type: none"> EQL provided ample documentation to the City for this matter to be deemed closed. 	This tax allowance is in line with the building block approach used in our PTRM treatment of the asset base.	As per AER response	City acknowledges the AER response
16. Indicative prices 16. Con't	<ul style="list-style-type: none"> Refer to Table 24 – prices each year - NPL4 Minor and NPL1 Minor Per Prices in Tables 24 and 25 	<ul style="list-style-type: none"> Prices in Table 24 for LED Minor roads indicates NPL4 Minor is higher than NPL1 Minor even though funding maybe contributed by the customer. Prices for all rate and road types from conventional lighting to LED do not incentivise funding from customers (refer attached worksheet) NPL1 conventional lighting to NPL4 LED is minor, yet CAPEX for programed changeover by EQL is quite high. Prices for conventional NPL2 to LED NPL2 is inadequate to support customer funding. EQL is silent on transfer of asset from NPL2 EQL is silent on standalone and reticulated assets. EQL is silent on conversion of LED NPL4 to alternative rate type at end of life. EQL is silent on process for customer funded assets at end of life. EQL is silent on deployment and costs of IoT devices EQL is silent on data ownership and data sharing options. 	<ul style="list-style-type: none"> LED NPL4 prices should be much lower than LED NPL1 to incentivise the customer to fund the costs of the LED changeover, as the current model is relying on the costs reduction between the conventional NPL1 to NPL4 which is not adequately feasible. Customers to be given the choice to have conventional NPL2 assets (contributed assets) returned to the customer and removed from the EQL gifted asset base. Conventional NPL2 assets to be the customers role and responsibility to change to LED (after return of asset) No exit fee for conventional NPL2 as asset is contributed. NPL2 services and maintenance to be contestable and regarded same as NPL3. Transparency required on standalone versus reticulated poles being considered in determination of rates. At the end of life for NPL4, should be converted to NPL2 or alternative rate type for lighting asset only on shared asset. By returning conventional NPL2 to customers, IoT devices can be deployed with LED and data sharing opportunities available to all parties. Returning NPL2 to customers to fund their own LED upgrade and 	<ul style="list-style-type: none"> EQL acknowledged pricing issues regarding NPL4 and have advised they will continue to work through the costing model for appropriate pricing of the new rate type. EQL advised they may be willing to excise NPL2 Minor assets, however they were not willing to excise NPL1 and NPL2 Major assets. No discussion took place regarding delivery of IoT devices, data ownership or data sharing options. 	<ol style="list-style-type: none"> See comments in LED Rollout section above regarding NPL4 tariff. Corrections of errors in the model, AER adjustments to overhead applications, and corrected historical capital expenditure have changed Energex's tariffs. These tariffs now reflect up to 32 per cent of savings compared to conventional lighting. There is no charge or exit fee for customers to transition to LED. Prices are lower than conventional, providing incentive to change, and providing long-term benefits. We consider that NPL4 assets should be treated similarly at end of life as other tariffs, in that they shall remain on the NPL4 tariff. We recommend Energex includes more detailed information regarding the treatment of public lighting tariffs at the end of the asset's life in its revised proposal and supporting documents. Where customers contribute assets on the NPL2 (or NPL4) tariff, 	<ol style="list-style-type: none"> We have corrected this error in our Revised Regulatory Proposal. Our Revised Regulatory Proposal results in public lighting tariffs that provide a clear incentive for customers to fund the replacement of NP1 conventional lights with LEDs. Energex and Ergon Energy are responsible for the end-of life replacement of NPL2 assets. The difference between the NPL2 conventional and LED tariffs pass through the expected operating and maintenance costs savings with LEDs. NPL4 assets will continue to be categorised as NPL4 at the end of life, with the net cost of the replacement asset being added to the NPL4 regulated asset base. This is consistent with the inclusion of 10% of capex spend being allocated to the NPL2 public lighting categories. For the 2020-25 period no CAPEX allocation will 	<ol style="list-style-type: none"> The City acknowledges the correction As stated above, the AER adjustments are preferred compared to the EQL tariffs, as the overhead costs remain inflated by EQL. The City acknowledges the comments from AER, however in relation to EQL's comments, it suggests EQL provide a pathway to support the transition of NPL2 to NPL3 at end of life of the asset, which will not negatively affect the PLAB. The City acknowledges both AER and EQL's comments. The City acknowledges both the AER and EQL's comments and suggests (per point 3) that EQL create a pathway for customers who intend to use the asset past the end-of-life, or upgrade the asset in

			<p>allowing contestability for services and maintenance will reduce the gifted asset base, resulting in overall reduction in electricity costs for the City and our respective communities.</p> <ul style="list-style-type: none"> • Incentivising customers to fund the changeover of lighting assets to LED on conventional NPL1 to LED NPL4 will reduce the RAB (reduced capex), thus reducing costs to the City, community and QLD energy users. • Costs on NPL1 to be reflective of actual services, ie costs to customers to be for lighting assets only (luminaries, bracket and outreach). 		<p>these assets are gifted to Energex and then maintained by Energex and are therefore retained by Energex. Where Energex replaces the asset at end-of-life, the customer remains on the NPL2 tariff, where they are responsible for only a fraction of the capital expenditure involved. Where customers intend to use the asset past the end-of-life, or upgrade the asset in any way, we recommend the NPL3 tariff be used.</p> <p>6) Energex's base offering of LED lighting includes a 7 pin NEMA socket to facilitate future technology developments. Energex continue to participate in trials of LED advanced technology trials. Energex discussed improvement and innovation in both its public lighting strategy and asset management plan.</p> <p>7) While the AER recommends active consultation between DNSPs and respective customers and stakeholders, it appears that this has not occurred between Energex and a number of its public lighting customers, including CCGC. The AER recommends both parties work towards a more constructive consultation process. We note that Energex held 7 forums in 2018 dedicated to public lighting in regard to its 2020–25 Regulatory Proposal.</p> <p>8) The prices in Energex's proposal are decreasing from the 2019–20 year, as are the adjusted prices in our Draft Decision. For subsequent years, prices</p>	<p>be made to NPL4, but this will be needed in the following regulatory period.</p> <p>5) As per AER response.</p> <p>6) As per AER response.</p> <p>7) In addition to the forums held prior to the publication of the Regulatory Proposals, Energex and Ergon Energy have also held additional dedicated public lighting forums ahead of the submission of the Revised Regulatory Proposals. We have met with the CCGC and other public lighting customers directly, and ACS (including public lighting) has been included in general customer forums.</p> <p>8) As per AER response. Our Revised Regulatory Proposal proposes a reduction in public lighting tariffs in 2021, with subsequent increases limited to the rate of inflation.</p>	<p>any way use the NPL3 tariff in line with the AER recommendation.</p> <p>6) The City strongly recommends a 7 pin NEMA is used to replace a PE cell as part of the LED upgrade, particular for urban areas. This will future proof LED technology to support IoT and communication devices.</p> <p>7) The City acknowledges both the AER and EQL's comments. The City also acknowledges the efforts by EQL during the consultation process. The City suggests that consultation continue during the regulatory period to delivery appropriate outcomes for the customers and EQL.</p> <p>8) The City acknowledges both the AER and EQL's comments.</p>
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					increase by inflation each year only.		
18. Customer and stakeholder views	EQL stated a fact sheet on their proposed approach on ACS was provided to stakeholders and customers.	EQL advised LGA's and DTMR that a full draft proposal would be provided in order to assist and provide advice on the public lighting portion of the regulatory proposal. Unfortunately a benign fact sheet was sent instead, not affording stakeholders and customers the opportunity to fully unpack the issues with the cost and asset modelling and management of public lighting.	Robust discussions regarding issues observed by individual customers and as a collective unit to be managed appropriately with information provided to respective bodies as promised by EQL and in a timely manner.	<ul style="list-style-type: none"> No direct discussion took place regarding this point. However, EQL have acknowledged that further discussions regarding the public lighting sector are needed. 			In the last stakeholder meeting held in December 2019, the City requested EQL to continue customer discussions post-delivery of the Revised Regulatory Proposal and the final Determination. This was agreed by EQL.
Spreadsheets attached (spreadsheets to remain CONFIDENTIAL)		<ul style="list-style-type: none"> City has provided the cost changes based on the information provided in the Energex Alternative Control Services 2020-25 and Energex Regulatory Proposal 2020-25. City has based the worksheets on its own portfolio of assets and has shown the financial impact of the change in pricing. City has not included capex required to self-fund the changeover to LED. Each scenario indicates the change from one NPL type to another depending on the funding arrangement (ie self-funded vs EQL funded) City has also shown the saving are marginal compared to the potential savings available through a competitive approach (as seen in other international jurisdictions). City suggests the cost of public will increase significantly in future years to recover capex as LGA's will be unable to fund the change due to the poor ROI and payback. 	<ul style="list-style-type: none"> City has shown the savings provided by EQL does not support a self-funded approach by the customer. City suggests an alternative solution to LED changeover whereby a third party delivers, maintains and operates the NPL2 assets base (which would be returned to the customer). NPL1 and/or NPL4 are charged for lighting assets only with potential 'rental' arrangement. EQL to have opportunity to participate in the competitive arrangement. 	<ul style="list-style-type: none"> EQL advised they have not received spreadsheets from the AER (the City assumes the AER will forward spreadsheets to EQL). The City will provide further spreadsheets to EQL to understand the impact customers face with the current NPL4 model, as well as NPL1 (depreciation value \$0) to NPL2. No discussion took place regarding competitive arrangement opportunities. 			<p>Financial modelling conducted by the City showing comparisons between the AER tariff and EQL tariff as part of the Energex Revised Regulatory Proposal issued December 2019, clearly indicates impact/option for the customer:</p> <ul style="list-style-type: none"> AER tariffs could support customer funding LED upgrades The tariffs indicated on the Energex Revised Regulatory Proposal supports EQL funded implementation with minimal to no funding from the customer. Therefore, the customer will enjoy the new LED tariffs without capital expenditure.

Energex Regulatory Proposal 2020-25 and Energex Revised Regulatory Proposal 2020-25

Item Name	City of Gold Coast Issue	City of Gold Coast Recommendation	City of Gold Coast Final Comments
ICT	Spend for ICT in the regulatory period 2020-25 concentrates on software for internal and external services. However, it has very little allocated for technology advancements.	Suitable funding provision allocated to ensure Energex is current and has the opportunity to facilitate customers' requirements to support technology advancements.	The City acknowledges the findings by the AER as part of the Draft Determination 2020-2025 issued October 2019
Digital program	<ul style="list-style-type: none"> • City is concerned Energex plan to participate in the digital sector, which is outside of their business mandate/model. • Provision of these additional services to customers may impact the RAB, increase overhead costs and require capex for hardware. • These additional services will be subject to cost recovery hence further increase to future pricing. • City strongly believes that Energex are a DNSP and should not participate in the telecommunication sector. • Data ownership if Energex participate as a telecommunication provider adds complexity to the business model. 	<ul style="list-style-type: none"> • Digital program and data management should be managed by EQL's non-regulated business, Yurika to ensure ring fencing requirements are met and to further ensure the cost impacts of becoming a telecommunications provider does not directly affect customers. • Energex should focus solely on the business of providing electricity, safely, securely, effectively and efficiently with the objective to reduce cost. • EQL should facilitate regulatory change in conjunction with customers to participate in new markets and new opportunities ie FCAS, two way energy flow for solar, voltage control technology. 	The City holds firm in its previous recommendation.
Tariff optimisation	Current submission does not allow for effective change in tariff to reflect technology advancements within the regulatory period.	An option for tariff change to be included for advancement in technology and opportunities for customers to actively participate in the NEM.	The City acknowledges the findings by the AER as part of the Draft Determination 2020-2025 issued October 2019
Post 23 July 2019 Meeting Discussion: <ul style="list-style-type: none"> • No discussion took place regarding the above issues. 			

Energex Regulatory Proposal 2020-25 and Energex Revised Regulatory Proposal 2020-25

Item Name	City of Gold Coast Issue	City of Gold Coast Recommendation	City of Gold Coast Final Comments
General Comments	<ul style="list-style-type: none"> • Price increases • Regulatory and DNSP policy barriers for technology advancement • DNSP monopoly for services and maintenance • Lack of contestability pertaining to 'network' services • Tax treatment on public lighting gifted assets • Lack of transparency 	<ul style="list-style-type: none"> • Acknowledgement by AER and EQL that public lighting constitutes approx. 60% of most LGA's electricity spend. This significant cost prohibits the opportunity for LGA's to provide additional services to its communities. The revenue requirement by EQL and QLD State Government through public lighting has a direct negative impact on public services. Additionally, the costs for public lighting in Queensland are one of the highest in Australia, and significantly higher than the other eastern states. Protection of price increases by LGA's has become of utmost importance in this area, however is only slightly reflected in the Energex Regulatory Proposal 2020-25 and Alternative Control Services proposal. • Technology advancement has provided LGA's with the opportunity to seek alternative services and maintenance solutions which could significantly reduce the cost (approx. 50%) to public lighting and subsequently the provision of additional services to the community without impacting the security and safety of the Energex network. The establishment of a competitive market which EQL could participate through its non-regulated business is required for community benefit and reduction in costs. • Introduction of prudent cost recovery methodology for shared assets ie itemised account or 'rental' arrangement for public lighting assets on Energex owned poles. • Return of NPL2 assets to LGA's with cost recovery limited to tax allowance. • Energex business model to remain focussed on providing safe and secure electricity supply whilst facilitating opportunities for customers to participate in NEM with technology change. • EQL to provide transparency on costing and revenue methodology. • EQL provide flexible tariff to meet technology advancement. 	The City holds firm in its previous recommendation.
Post 23 July 2019 Meeting Discussion: <ul style="list-style-type: none"> • No direct discussions took place regarding these issues/comments, other than those noted earlier. 			