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Mr Chris Pattas
General Manager, Networks
Australian Energy Regulator
GPO Box 520
MELBOURNE VIC 3000

Email to: TASelectricity@acr.gov.au

Dear Mr Pattas

TASMANIAN ELECTRICITY DISTRIBUTION: REVIEW OF FRAMEWORK AND APPROACH (F&A)

This letter is a submission in response to the AER's "Notice inviting submissions: Tasmanian electricity distribution – Framework and approach". The Notice seeks submissions "on whether it is necessary or desirable to amend or replace the current Tasmanian F&A for electricity distribution regulation".

It is noted that the F&A is important as it dictates which services are regulated and the degree of control that AER will have in determining prices and utility revenue for distribution services.

With Hobart City Council being a local government entity, it pays TasNetworks for most of the unmetered public lighting in the municipal area. In the most recent financial year the cost of this lighting amounted to about \$1.4 million or over 1% of the City of Hobart's total budget. This is almost half of the total "electricity" charges paid by the City and the single most significant cost item affected by the F&A.

Thus the City is interested in exploring opportunities to reduce the costs of street lighting, including alternative forms of how pricing levels are managed.

The City has a significant proportion of metered public lighting and has far more control over the costs of this lighting, through its selection of technology to minimise energy and maintenance costs and capacity to competitively tender for maintenance.

In the current F&A “Public lighting services” for those technologies current at the commencement of the regulatory control period are classified as a Direct Control Service/Alternative Control Service. Any “new public lighting technology” is classified as a Negotiated Distribution Service.

The Alternative Control Service classification may be suitable where technology is only changing incrementally and there are limited options for provision of maintenance services for public lighting.

There have however been significant advances in LED lights and the City has recently replaced its metered CBD street lights with this technology. A project is currently underway to replace most of unmetered 80 watt mercury vapour lights in the Hobart and Glenorchy municipalities with 18 watt LED lights, with the project being funded through an Australian Government grant.

TasNetworks owns most of the public streetlights and under the current pricing arrangements has two alternative charges being “public”, where the light is owned and maintained by TasNetworks, and “private contract”, where the light is owned by others and maintained by TasNetworks.

During the planning phase for the abovementioned project, there have been discussions between the two councils and TasNetworks as to the future arrangements for ownership and maintenance. Being a “new public lighting technology” these are being discussed as a Negotiated Distribution Service, which provides for a wider range of options.

The new 18 watt lights are being installed as a Negotiated Distribution Service and should remain as such in future periods as it provides the City the opportunity to consider various service options. There may be other alternatives to the two categories of charges noted above, which can provide a better overall outcome and this may be assisted by a more flexible arrangement for price setting, both for current and new technologies which is available through the Negotiated Distribution Service classification.

Thus a review of the F&A is supported to consider the issues and potential benefits of different distribution service classifications and related price control mechanisms for public lighting services.

Yours sincerely



(Scott Morgan)

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