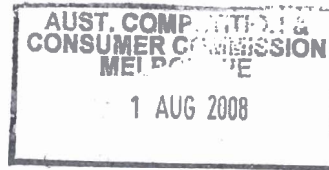




KIAMA MUNICIPAL COUNCIL



Phone Enquiries:

Mr Chris Fuller
4232 0445

Reference:

(AK:DB - E19.001.000)

28 July 2008

Mr S Edwell
Chairman
Australian Energy Regulator
GPO Box 520
MELBOURNE VIC 3001

Dear Sir

**Electricity Retailers Proposal to Raise Household Electricity Costs
Energy Australia, Integral Energy and Country Energy**

Kiama Council has been made aware of the proposals to raise electricity costs presently before the Australia Energy Regulator.

Having reviewed the proposals there appears to be 3 main areas that electricity retailers are requesting the Australian Energy Regulatory to address:

- Servicing growth in demand for both new connections and peak loads due to increased use of air conditioners.
- Replacing the ageing network.
- Meeting the NSW Government's requirement for increased security and reliability.

Kiama Council objects to a generic increase in electricity costs to all households to address these 3 key issues and recommends that the Australian Energy Regulator adopt the following approach for the reasons detailed:

1) Servicing Growth in Demand

- New connections – these should only be paid for by the development industry, new residents of businesses and State infrastructure taxes or levies. New connections should not be paid for by existing electricity customers.

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ALL CORRESPONDENCE

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FILE No:
D08/76032
PRISM:

- Peak loads due to increased use of air conditioners – the cost associated with servicing peak loads due to air conditioner use should be paid for by those who use air conditioners. This cost should not be generally spread across all electricity customers. Council is working with its community to encourage more sustainable use of resources and a reduction in the community's and Council's footprint. Significant grants have been received both regionally and locally to promote improved household decision making and reduction in energy use. Many households are taking up this challenge as their contribution to addressing Climate Change. Households are installing energy efficient light globes and appliances, installing solar hot water and increasingly installing solar panels for electricity generation. Households that reduce their energy use and footprint should be encouraged not penalised financially by an increase in electricity costs.

To agree to a general increase across all users will act against many energy reduction and sustainability improvement programs. Specifically spreading the true cost of addressing peak loads across all energy users will benefit those who choose to use air conditioners as they will effectively be sponsored by those who have low energy use and are investing in energy use reduction or generation. This is counter productive in the context of climate change and those who have increased energy use through the use of air conditioners should pay for the infrastructure this required.

- 2) Replacing an ageing network – it is acknowledged that this cost should be spread across all energy users both domestic and commercial.
- 3) Meeting NSW Government Requirements for increased security and reliability – while it is acknowledged that to some extent all customers should contribute to security and reliability, the Australian Energy Regulator should establish an approach which:
 - Acknowledges those customers that invest in energy reduction infrastructure and/or energy generation infrastructure by providing for a relative reduction in this component of electricity costs.
 - Acknowledges those customers who either make no effort to reduce energy use or increase energy use by providing for a relative increase in this component of electricity costs.

Kiama Council's view is that unless the issues and recommended approaches on this submission are addressed by the Australia Energy Regulator then:

- Those who reduce energy use will be penalised and will in effect sponsor profligate users of electricity.

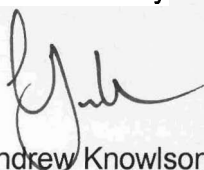
- Sustainability programs funded by the State and Commonwealth will fail with consequent Climate Change implications.
- An attitude will be generated in the community that financial benefits will accrue to irresponsible energy use.
- Energy costs to consumers will not reflect the true energy costs, particularly for those who choose to use air conditioners.

Council requests that the Australian Energy Regulator put in place a pricing mechanism which:

- Provides a financial penalty on the use of domestic and commercial air conditioners.
- Provides a financial incentive to customers who invest in reducing energy use and/or on site electricity generation.

Should you wish to discuss this submission or seek further information please contact me on the above telephone number.

Yours faithfully



for

Andrew Knowlson
Director of Environmental Services

[tplan\andrew\0708aust energy regulator re electricity costs]