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Street Lighting
PLEASE QUOTE THIS REFERENCE

August 8, 2014

Australian Energy Regulator
NSWACTelectricity@aer.gov.au

Re: Submission to Essential Energy Determination 2014-2019 Public Lighting Proposal

Council lodges the following submission in response to the Essential Energy submission to the Australian Energy Regulator (AER) Essential Energy Substantive Regulatory Proposal Determination 2014-19. The focus of Councils submission is on the Public Lighting Proposal section of the Essential Energy proposal.

Firstly, Council is supportive of the joint submission to be lodged on behalf of a number of Regional Organisations of Councils, including the Northern Rivers Regional Organisation of Councils (NOROC) of which Kyogle Council is a member.

In addition to this joint submission, the following brief points are made from Kyogle Council;

1. Financial Pressure on Local Governments in General

The Essential Energy proposal identifies a potential cost increase to Councils street lighting charges of 86% between the 14/15 and 15/16 financial years. The vast majority of this increase is on operating costs, with no proposed increase in the number of street lights over the period. Council's long term financial plan assumes an annual increase in costs of 3% per year. This comes at a time when Council is trying to address a significant shortfall in funding for its \$460M worth of infrastructure assets of around \$4M per year. There are fears that if an increase of this magnitude were to be imposed, Council would have no choice but to initiate a program of removing street lights to reduce these costs.

2. Capital Investment in Energy Efficient Lighting over Recent Years

Over the last six years (starting around 2008) all Councils in the region worked closely with Essential/Country Energy in facilitating an upgrade of all street lights to replace the older style lights with more energy efficient types of lights. There were various pay back periods, but we were all sold the capital contribution to the upgrades on the basis that there would be a short return on investment, due to the reduced electricity usage, as well as the improved life expectancy and durability of the new types of lights that would result in reduced SLUOS and NUOS charges. The proposal is now to impose significant increases in NUOS and SLUOS charges, effectively eliminating any return on investment for this process.

3. Streetlight Business Income and Expenses in Public Lighting Proposal

It has been noted that the period used for the lighting cost history in the Essential Energy proposal is from 2010/11 through to 2013/14 (Table 8). In the early years of this time period, the replacement of the old street lights with new more energy efficient luminaires would have been in full swing, as is reflected in the capital costs of bulk replacements. The trend during this period is an increase in public lighting revenue, and decrease in operating costs associated with spot repairs and bulk replacements. It is worth noting that if it were not for the inclusion of the line items of "Contingency for complete bulk lamp cycle" in 2013/14, and the "Divisional and Corporate Overheads" then the net cost of public lighting would be a small profit in 2013/14. This would appear to reflect the winding down of the capital replacement program that has been in place throughout the period reported in Table 8. The figures used for Overheads in this table represent an average of 25% of costs over this period which seems unusually high for an activity that is ancillary to the main business of operating the distribution system.

4. Past and Future Service Level Targets and Compliance

The proposed service levels have not been discussed with Councils. In particular, the increased proposed bulk lamp replacement frequency of 3 years (down from 4 years) is of some concern (table in exec summary). The main reason for this is that it was known, and admitted by Essential/Country Energy during discussions on the changeover to more energy efficient lights, that the 4 year frequency of bulk lamp replacements had never been met in the past. There was a major backlog of these, and the plan was to address the backlog and change over to new lights at the same time, to create economies of scale and avoid duplicating work. The bulk lamp replacement frequency proposed now is an increase to a performance target that has never been met before, and is being used to justify the exorbitant increases in costs. It is important to note at this point that the failure to meet the bulk lamp replacement frequency of 4 years in the past, lead to very little reduction in service levels, or complaints from customers and the general public. Most of the newer more energy efficient street lights will perform for twice this period satisfactorily without the need for replacement, and a similar comment would apply to the cleaning of the lights as well. In other words, there is more than likely a better case to support a longer bulk lamp replacement and cleaning frequency, than there is to support the proposed reduced bulk lamp replacement frequency of 3 years, and the associated increase in costs that goes with this.

5. Service Level Determination and Consultation

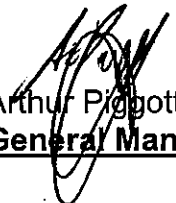
There is a legislative background in place that should be reviewed before any determination is considered. The service levels proposed by Essential Energy are in response to the *NSW Public Lighting Code* which was last reviewed in 2006; and the *Essential Energy Public Lighting Management Plan 2010* which was last reviewed in March 2011 (mostly changes to name from Country Energy to Essential Energy). In light of the impact of the proposed increases in charges contained in the Essential Energy proposal, it would seem more prudent to sit down with the monopoly business customers and firstly review the levels of service contained in these dated documents. There should be a process to assess the customer's willingness to pay before any determination is made; otherwise the opportunity for the customer to negotiate reduced service levels is lost.

Conclusion and Recommended Way Forward

Given the nature of the increases proposed by Essential Energy, it is Councils position that the first step in the process should be to review both the NSW Public Lighting Code, and the Essential Energy Public Lighting Management Plan, in consultation with Local Government and the Roads and Maritime Services as the primary customers/contributors to the service. This will ensure that these documents reflect the service levels that these organisations, and the communities they represent, are willing to pay for, before any additional costs are imposed.

Should you have any further enquiries please contact Graham Kennett Executive Manager Urban and Assets during business hours on (02) 6632 0228.

Yours faithfully



Arthur Piggott
General Manager