



24 July 2015

Mr Sebastian Roberts
General Manager – Network Regulation
Australian Energy Regulator
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QLDelectricity2015@aer.gov.au

Dear Mr Roberts

Thank you for the opportunity to provide a submission in response to the Australian Energy Regulator's (AER) call for submissions regarding revised proposals for both Energex and Ergon Energy, the Distribution Network Service Providers (DNSPs), for the 2015-2020 regulatory control period.

The Local Government Association of Queensland (LGAQ) is a member of the Energy Users Association of Australia (EUAA) and as such recommends that the AER give consideration to the issues raised by the various EUAA submissions, particularly with regards to determination of the Weighted Average Cost of Capital (WACC).

Further to our previous submissions, the LGAQ once again requests that the AER gives consideration to the following concerns when finalising its decisions for the 2015-2020 regulatory control period.

kVA Charging

Ongoing issues with implementation at lower thresholds

Further to LGAQ's previously stated concerns surrounding the timing and readiness of councils for the introduction of kVA charging, Energex's engagement regarding changes in classification from Standard Asset Customer (SAC) *small* to SAC *large* remains to be a serious concern. The LGAQ is aware of such notifications being made in late May 2015, for an implementation date of 1 July 2015. As stated in our correspondence of 1 July 2014:

The proposed introduction of kVA pricing on 1 July 2015 does not allow sufficient time to rectify the situation considering the required metering upgrades, an appropriate amount of time to quantify the average power factor at maximum demand (allowing for seasonal demands) and allowing for the power factor data to be collated and then be included in a tender for the installation of the necessary rectification measures. As such, the Association believes any implementation of kVA charging should not occur until 1 July 2016.

Of greater concern is notification of such changes to the wrong customer. For example, one notification made by Energex in late May 2015, in relation to a specifically identified National Meter Identifier (NMI), was addressed to one council, when in fact the NMI is located in another council area. In assisting the councils concerned, Local Buy (a subsidiary of the LGAQ) was informed by Energex staff that the retailer was at fault. Given these concerns, LGAQ believes



there is an opportunity for Energex to improve its quality assurance processes in line with the ISO9001 standard.

Issues with events outside of local government control

While the network benefits of kVA charging are understood, demand at local government facilities such as water and waste water treatment and pumping facilities is not predictable or necessarily controllable in extreme weather events. With a significant number of council sites classified within the Connection Asset Customer and SAC thresholds, the current maximum half hour period for determination of monthly charges leaves councils exposed to unpredictable costs due to issues outside of their control. The LGAQ recommends that the AER, in annual DNSP network tariff proposals, only approve kVA charging based on the average kW that the NMI registers during the peak day in the month as this would alleviate cost pressures faced by councils from assets with uncontrollable demand.

Unmetered street lighting

Service Charters and Service Level Agreements

The overall level of engagement of the DNSPs with LGAQ and councils in relation to street lighting has improved significantly during the course of this regulatory reset. Through the various consultation processes of the DNSPs and the AER, LGAQ has advocated for a publicly available base level service charter with the option for individual street lighting customers to enter into a Service Level Agreement for additional services upon request.

Energex has finalised its Public Lighting Management Standard, which has been subsequently made available on their website. Ergon Energy have progressed a draft version of a service charter on which LGAQ has had opportunity to comment. It is hoped that Ergon Energy will soon release a draft, similar to that released by Energex, to its street lighting customers. While the LGAQ notes the much needed progress to date in the area of unmetered streetlights, there are still some outstanding issues such as flow charting of the streetlight connection processes to remove ambiguity regarding this often puzzling procedure.

Alternate Control Service Charges

The provision of public lighting is an essential community service. The DNSPs have a role in the provision of this community service, and as such LGAQ believes they should seek to minimise the charges levied for the installation and operation of street lighting. The LGAQ notes that proposed pricing submitted by the DNSPs will deliver a reduction in Alternate Control Service (ACS) charges in the first year of the regulatory control period with increases aligned to inflation in the remaining years thereafter.

Further to direct email correspondence, and meetings, between LGAQ and AER staff, LGAQ seeks clarification of the ACS charges provided in the AER's draft decisions given the misalignment with the DNSPs proposals for Rate 1 and Rate 2 charges across both major and minor lights.



Customer requests for Changes to Network Tariff Class

Energex's submission to the AER regarding its annual network tariff pricing proposal for 2015-16 financial year included a notification process for the reassignment of network tariffs with the appropriate form to be received from the retailer (Table 3.2 refers). The LGAQ considers that this does not align fully with clause 7.6 of Annexure C of the Queensland Electricity Code which deals with DNSPs receiving a request for a network tariff class change directly from a customer. This also differs from recent correspondence between Energex and Local Buy, in which Energex has acknowledged that the appropriate forms may be directly received from a customer, or their representative.

With councils often using several retailers across their operations, dealing directly through the DNSPs provides a single point of contact which consequently reduces complexity and expense of managing a large portfolio of accounts. The DNSPs are ultimately compelled to provide the information to retailers through Market Settlement and Transfer System (MSATS) in any case. As such the LGAQ encourages the AER to ensure that any annually approved network tariff pricing schedules align with the Annexures to the Queensland Electricity Code.

If you have any questions or further details in relation to the above submission, please do not hesitate to contact either myself or Michael Fullelove, Category Manager – Energy, Local Buy, on (07) 3000 2122 or at mfullelove@localbuy.net.au.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Greg Hoffman', is written over a light blue horizontal line.

Greg Hoffman PSM
GENERAL MANAGER – ADVOCACY

cc: Michael Fullelove, Category Manager – Energy, Local Buy