

In reply please quote our reference: ECM 696343

20 December 2019

Mr Warwick Anderson
General Manager, Networks Finance and Reporting
Australian Energy Regulator
GPO Box 3131
Canberra ACT 2601

Emailed: SAPN2020@aer.gov.au

Dear Mr Anderson

Revised SA Power Networks Electricity Distribution Price Review for 2020/21 – 2024/25: Public Lighting

The Local Government Association of South Australian (LGA) welcomes the opportunity to make a submission in relation to the revised SA Power Networks (SAPN) Electricity Distribution Price Review 2020/21- 2024/25 for public lighting. This response has been developed in conjunction with street lighting experts Ironbark Sustainability with input from the local government representatives of the Public Lighting Working Group (PLWG).

This report focuses on the revised plans for public lighting management and pricing over the 2020/21-2024/25 period. This is not a comprehensive review of all elements of the proposed EDPR. Lack of comment on other elements of the proposed reforms does not imply LGA support for those elements. LGA member councils may also have made their own submissions, which should be considered separately and in addition to this response.

The Local Government Association of South Australia (LGA)

The LGA is recognised as the peak representative body for local government in this State and prides itself on being the voice of local government. The LGA provides leadership to councils and representation outwards to State and Federal governments and other key stakeholders.

The LGA is federated nationally with interstate and territory associations in the Australian Local Government Association (ALGA). The LGA is also supported by the Parliament of South Australia in Schedule 1 to the Local Government Act 1999.

The mission of the LGA is to provide leadership to councils for the benefit of the South Australian community. To achieve this mission the Association has set itself three key initiatives areas:

- Leadership and advocacy: Achieving greater influence for local government in matters affecting councils and communities.
- Capacity building and sustainability: Working with member councils to build capacity and increase.
- Best practice and continuous improvement: Facilitating continuous improvement in councils and the LGA.

Public Lighting Working Group (PLWG)

Since late 2018, the LGA has led a Public Lighting Working Group (PLWG), formed to facilitate a practical and representative interface between SAPN and South Australian public lighting customers, including councils and the SA Government's Department of Planning Transport and Infrastructure (DPTI). It was established as a representative body for negotiating issues under the current regulatory framework and facilitating the practical transition to the new regulatory framework commencing in July 2020.

The PLWG is comprised of several South Australian metropolitan and regional local government councils including the City of Charles Sturt, City of Holdfast Bay, City of Mitcham, Mount Barker District Council, City of Mount Gambier, City of Norwood Payneham and St Peters, City of Onkaparinga, City of Port Lincoln, City of Prospect and City of West Torrens, the SA Government's Department of Planning Transport and Infrastructure (DPTI) and expert consultants from Ironbark Sustainability. It is coordinated and chaired by me on behalf of the LGA.

The introduction of the PLWG has resulted in a marked improvement in the relationship and level of communication between SAPN and the local government sector. The information provided through the PLWG has enabled councils to have a broader understanding of public lighting services and the ability to provide input into future processes.

Since October 2019, the PLWG has been discussing issues that were brought up in AER's SA Power Networks Distribution Determination Draft Decision 2020 to 2025 (Attachment 15 Alternative control services). A small number of issues were tabled in the AER Draft Decision and SAPN and public lighting customers have subsequently reviewed and discussed each of these, with an intention to come to an agreed position before SAPN's revised submission.

These were detailed in a letter of support from the LGA that was attached to SAPN's revised proposal (see *SAPN - Revised Proposal - 14.8 - LGA - Letter of Support - December 2019* at <https://www.aer.gov.au/system/files/SAPN%20-%20Revised%20Proposal%20-%202014.8%20-%20LGA%20-%20Letter%20of%20Support%20-%20December%202019.pdf>).

In this document, the LGA outlined the issues that were tabled in the AER Draft Decision that SAPN and public lighting customers have subsequently reviewed and discussed through the PLWG. The following is an update of the status of these issues, now that SAPN's revised proposal has been released.

Item	Revised submission	Status
Unplanned column replacements	SAPN have agreed to retain the AER's Draft Decision of 60 unplanned column replacements per year.	The LGA supports this proposal.
Planned column replacements	SAPN propose 360 planned column replacements per year (the "extreme" and "very high" rated). High rated columns should be re-inspected every 5 years.	The LGA supports this proposal.
Planned cable replacement program	SAPN propose approximately 16 km of planned cable replacement over the	The LGA supports this proposal.

	2020-25 period.	
Elevation charge	SA Power Networks accepts the AER's approach to remove the use of pole component of public lighting charges.	The LGA supports this proposal.
Annuity asset life	Through negotiation, SAPN agreed to adopt a 20-year annuity life	The LGA supports this proposal.
Regional installation premium	Through negotiation, SAPN agreed to remove the regional pricing installation premium of 5%	The LGA supports this proposal.
LED cleaning cycle	Through negotiation, SAPN agreed to adopt a 10-year cleaning cycle for LED luminaires.	The LGA supports this proposal.
South Australian Public Lighting Dispute	SAPN have adopted the arbitration final decision RAB in the RFM for the 2020-25 RCP and noted that this decision resulted in an under-recovery of public lighting charges in the 2015-20 RCP.	The LGA supports this proposal that the under-recovery is reviewed by the AER and applied against the Public Lighting Asset Base (PLAB) for the 2020-25 RCP.

Reactive cable faults

In its Draft Decision, the AER agreed with the LGA's suggested approach to use a historical average (approximately 700 per year) to determine the appropriate rate of cable replacements.

SAPN did not accept the Draft Decision. SAPN's revised proposal cable fault forecast aligns with the annual average of the current 2015-20 RCP of 938 faults per year. In their revised proposal, SAPN have noted that the fault rate is unlikely to provide SAPN with adequate funding to maintain public lighting in accordance with service standards and public lighting customer expectations.

SAPN consulted with public lighting customers on cable faults through the PLWG, providing historical fault data and modelling. In the LGA's letter of support attached to SAPN's revised proposal (*SAPN - Revised Proposal - 14.8 - LGA - Letter of Support - December 2019*), the LGA initially indicated an intention to "submit a response maintaining that the 10-year average be applied as per the AER's draft determination, with the volumes updated to reflect actual fault data".

However, since the public release of the *Revised SA Power Networks Electricity Distribution Price Review for 2020/21 – 2024/25*, closer examination by the LGA and street lighting experts Ironbark Sustainability, and further discussions with other (interstate) street lighting experts and DNSP stakeholders, **the LGA supports the revised proposal cable fault forecast aligning with the annual average of the current 2015-20 RCP of 938 faults per year.**

The LGA appreciates the detailed information provided to customers through the PLWG including the raw Weibull distribution data and analysis. It is a complicated area for most public lighting stakeholders and SAPN provided presentations and expert advice to explain the analysis. Through this process, stakeholders have a greater understanding of the analysis and projections provided by SAPN and support the proposal of 938 cable faults per year.

<p>Reactive cable faults</p>	<p>SAPN have updated their cable fault forecast for the revised proposal to align with the annual average of the current 2015-20 RCP at 938 faults per year.</p>	<p>The LGA supports this proposal.</p>
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Other Items

In reviewing public lighting pricing, the AER has typically considered several elements for review. We would request that the AER benchmark and review the following items in accordance with previous review processes:

- Labour rates and materials pricing
- WACC
- Margins

We also request that the AER identify any other outcomes from the South Australia Public Lighting Dispute (2010-2015) and whether any of the findings around the Public Lighting Regulated Asset Base or depreciation schedules would impact on or apply to the 2015-2020 regulatory control period.

As mentioned in SAPN's revised proposal, SAPN have advised "an under-recovery of public lighting charges for the 2015-20 RCP" because depreciation costs are lower under the AER's arbitration decision for the 2010-15 RCP, resulting in a higher PLAB value at the end of the period. SAPN estimate this under-recovery equates to approximately \$1.1 million.

The issue of the under-recovery and the proposed amount is too complex to provide detailed feedback in this submission. The LGA supports SAPN's proposal and request that the AER review SAPN's modelling to verify any value of under-recovery claimed and that any under-recovery is applied to the Public Lighting Asset Base (PLAB) for the 2020-25 RCP.

Finally, we seek advice from the AER on developing a process whereby any testing and auditing of public lighting assets (columns, cables etc.) be carried out independently of SAPN or with SAPN working in collaboration with customers. These activities determine a significant proportion of the cost's customers must pay. Experience in assessing the public lighting model indicates that an active role by customers and/or the regulator is required to ensure these activities are not taken advantage of by unreasonably increasing DNSP revenue streams over time. Determination by the AER of how customers can be involved in these activities would be helpful.

Summary

The LGA would like to thank SAPN for providing prompt, transparent and clear data when requested, especially around column and cable replacements and maintenance. All queries were followed up, data provided, and every effort was made by SAPN to explain maintenance programs and data analysis.

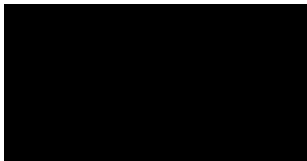
The LGA would also like to acknowledge the important role the Australian Energy Regulator (AER) plays in providing a fair and transparent for pricing determinations around public lighting. We value the

contribution that the AER has made in determining that equitable and consistent approaches are made to pricing which represent the best value proposition for the community, industry and all levels of government.

Finally, the LGA would like to acknowledge the work of the PLWG, which continues to be a practical and representative interface between SAPN and South Australian public lighting customers. It is a credit to SAPN and members of the PLWG that we have reached a point of such alignment and agreement. We look forward to facilitating the practical transition to the new ACS framework in 2020.

Thank you for the opportunity to make this submission. Further enquiries can be forwarded to myself or Alexi Lynch (Business Manager, Ironbark Sustainability) at [REDACTED].

Yours sincerely



Steve Nolis

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Chair, Public Lighting Working Group

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This report/document can be made public and published on the AER website as part of SA Power Networks' Revised Regulatory Proposal.