

OUR REF: 1675-03
YOUR REF:

5 August 2008

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Mike Buckley
General Manager
Network Regulation North Branch
Australian Energy Regulator
GPO Box 3131
Canberra ACT 2601

Dear Mr Buckley,

RE: COUNCIL CONCERNS ABOUT 2009-2014 ENERGYAUSTRALIA PUBLIC LIGHTING PRICING PROPOSAL

I refer to your current review of EnergyAustralia's pricing proposals for public lighting and appreciate the opportunity to make this submission on behalf of Marrickville Council.

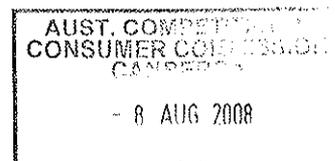
It is with concern that Council has noted EnergyAustralia's recent proposal to the AER for a 38.6% real increase in capital and maintenance charges for public lighting over the next 5 years (2009-2014 regulatory period) and a 90.2% real increase in network distribution charges for public lighting over the same period. These proposed increases follow very significant increases in capital and maintenance charges totalling some 40% since 2005.

Council asks that the AER consider the following key principles in its pricing review:

- 1. Pricing Based on an Efficient Cost of Service.** Council strongly welcomes the AER's recent comments at its 30 July public forum that pricing is to be fair and reasonable, reflecting the efficient cost of service. There is significant concern that EnergyAustralia's cost of service for public lighting is insupportably high.

In EnergyAustralia price proposals to councils, there are large and unsupported price movements, unexplained differences between the pricing for key light types and significant gaps when benchmarking EnergyAustralia pricing against other utilities. A key example of this is EnergyAustralia pricing proposals for new energy efficient lighting.

Price increases being no higher than warranted is extremely important for councils when considered in the context of NSW rate capping. In this context, we note in particular the large first year increase in capital and maintenance charges proposed by EnergyAustralia of 11% plus CPI.



2. **Link Between Price & Service Level.** Street lighting is a monopoly service of NSW electricity distributors. There are no contracts, no binding service regulation and we believe ineffective regulatory oversight of pricing to date. In recent years, there has been no clear recourse for non-compliance with the voluntary Public Lighting Code, poor investment in lighting types not supported by councils and unwarranted delays and obstacles to the timely adoption of energy efficient lighting. Councils have no meaningful control over key aspects of the service provided. While Council recognises that the regulatory framework is not under the control of the AER, it is important to note that there cannot be confidence in pricing decisions unless there is clarity in its justification
3. **Transparency & Timely Information Provision** – Council appreciates the AER’s recent comments at its 30 July public forum concerning the importance of transparency and the acknowledgement of the lack of information in the review of public lighting price proposals. Unfortunately, as of 5 August 2008, EnergyAustralia had yet to provide underlying Cost-to-Serve modelling to councils.

While Council appreciates that the AER is bound to meet a number of pricing review timetable provisions, it is unreasonable to expect meaningful input from stakeholders without full information disclosure within a reasonable review timeframe. To bring confidence in the pricing regime, it is essential that pricing reviews are based on clear, timely and open disclosure of cost analyses that are then properly benchmarked.

Council is one of 34 councils participating in the Southern Sydney Region organisation of Councils (SSROC) Street Lighting Improvement Program (SLIP). The SLIP Program will be making a detailed submission and we ask that the general issues raised in this submission and the more detailed issues raised in the SLIP submission receive careful scrutiny.

Yours faithfully



Kim Anson
General Manager