

17 February 2010

Mr Chris Pattas
General Manager - Network Regulation South
Australian Energy Regulator
GPO Box 520
Melbourne VIC 3001

Dear Mr Pattas,

Victorian Electricity Distribution Network Service Providers' Regulatory Proposals

The Municipal Association of Victoria (MAV) is the statutory peak body for local government in Victoria.

The MAV welcomes the opportunity to provide comment on the Australian Energy Regulator's (AER) Review of the 2011 Regulatory Control Period for the Victorian distribution network service providers (DNSPs). The MAV notes that whilst this review is within the parameters set by the National Electricity Rules the AER must be cognisant of the broader policy agenda and pressures, in particular with climate change and the move to a carbon-constrained economy. The MAV contends that this regulatory price review is a missed opportunity to establish the foundations for a more energy-efficient and effective electricity network.

The Victorian local government sector with its limited capabilities has been very proactive in seeking to mitigate greenhouse gas emissions and to develop adaptation strategies for a changing climate and for a low-carbon economy. Two of the key areas of action for the sector are increasing energy efficiency and enabling local energy generation, therefore the areas of public lighting and grid connection are central in the MAV's submission.

Public Lighting

The MAV has been working with Victorian councils to improve access to more energy efficient public lighting technologies. Victorian local government is concerned that a 5-yearly process to assess public lighting technologies will undermine innovation, particularly with the current drive of the Customer Innovation Committee/Victorian Public Lighting Approvals Board process. The MAV encourages the AER to establish a clear timing to permit the development of assessed OMR prices for new technology in accordance with section 6.8.2 of the National electricity Rules. Section 6.8.2 appears to provide for the AER to request regulatory proposals from DNSPs outside of a distribution determination.

The DNSPs have proposed significant increases to the public lighting operation, maintenance, replacement (OMR) tariffs with varying levels of justification and evidence. Whilst the MAV accepts that there will be cost increases over time, and that these are likely to be above CPI, the quantum of the increase is unjustified. For example, the OMR for a mercury vapour 80 watt in United Energy's area increased by over 100% in the first

year. Powercor/Citipower's pricing of the T5 2x14 Watt (\$215) is out of line with Jemena and United Energy (\$193) who have used pricing from Pierlite, which applies for supply for 1 to 10,000 units, not necessarily on a bulk upgrade basis. The letter to Pierlite and pricing chart is attached for your information. Further, the failure rate used by T5 2x14 Watt should be that of the AER's 'Final decision - Energy efficient public lighting charges' (February 2009), of 8.6%, rather than 18.5% proposed by Powercor/Citipower.

Regarding the installation of new public lighting, including both bulk and precinct-scale upgrades, there are differing interpretations by the DNSPs and subsequently highly variable tendering and project management costs. This requires clear direction and oversight from the AER. Whilst the MAV welcomes the AER's 'Negotiated Distribution Service Criteria', there remains the question whether these services are contestable at all. The AER notes in its 'Final Framework' and approach paper for Victorian electricity distribution regulation¹ that designation of a service, such as public lighting, as a negotiated service does not make the services automatically 'contestable'. The costs that the DNSPs are imposing, on Victorian councils to provide for oversight of works, indicated that this service is not contestable.

Grid Connection: Embedded Generation

The MAV supports councils working with their communities to increase micro and embedded generation on the network, in particular where these reduce greenhouse gas emissions. Victorian local government in its own right has been active in establishing co-generation within leisure centres for heating of pool water and electricity generation. However, many of the DNSPs are requiring significant and costly additional studies before the generators commences operation. The AER should assist in streamlining this process for what are essentially off-the-shelf systems that provide useful augmentation to the distribution network.

The MAV contact person is Ben Morris, 03 9667 5580, bmorris@mav.asn.au, should you have any queries about this matter.

Yours sincerely



Rob Spence
Chief Executive Officer

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