

**Attachment 1 – Stakeholders comments on Ausgrid specifically.**

Submission from	Document ref	Summary	Ausgrid Response
<b>Public Lighting</b>			
SSROC	Page 1, section 1	Disclosure of confidential information	SSROC correctly points out that the AER authorised a limited form of disclosure of confidential information under the proviso that those seeking this information accept a confidentiality undertaking and sign a conflict of interest declaration. SSROC have chosen not to accept these confidentiality undertakings. Ausgrid therefore considers this issue closed.
SSROC	Page 2, section 2	Uncertainty of overall cost impact to councils	<p>SSROC is unclear of the overall impact on pricing to Ausgrid’s public lighting customers of our revised proposal. Ausgrid has provided a capital and maintenance price lists of all public lighting assets, however, individual public lighting RAB values (Pre 2009 fixed charges) remain confidential.</p> <p>Ausgrid is willing to provide the individual councils with their fixed charges if requested. This information is only confidential amongst councils. There have been no changes to the method by which this is calculated from the previous regulatory control period. Ausgrid does not agree with SSROC’s suggestion that it is a “ludicrous expectation of customers” to multiply their inventory of items by the current price list. However if customers have difficulty doing this then estimates of individual council yearly charges can be provided.</p>
SSROC	Page 3, section 3	Pricing model simplifying assumptions	Ausgrid proposed options for simplified pricing models during its consultation with public lighting customers. However the response from our customers was underwhelming and the simplification process results in winners and losers if current prices were restructured. Ausgrid did not proceed with this as we did not see it being beneficial to customers given that there was no consensus from councils to proceed.
SSROC	Page 3, section 4	Strong case to reject Ausgrid’s maintenance assumptions	SSROC commented that “Ausgrid’s prediction of unplanned maintenance tasks in its revised regulatory proposal and accompanying models appear unsound and substantially in excess <i>[sic]</i> actual reported unplanned street lighting maintenance

			<p>tasks in the last regulatory period”. SSROC then go on to quote Ausgrid’s annual reports of ‘Reported Unplanned Maintenance Tasks’ from 2009-10 to 2013-14. These quoted figures however only represent actual customer requests and not maintenance tasks that are initiated by bulk lamp replacement follow up work, Ausgrid’s night patrols or ad hoc work performed by operations staff.</p> <p>Ausgrid does not agree that this represents a strong case to reject our maintenance assumptions. In the 2009 – 2014 determination a similar maintenance requirements analysis was performed based on data from 1 Jan 2006 to 30 Jun 2009 which showed that the average number of unplanned maintenance tasks (not including minor capital works) per year was in the order of 31,732. Our current estimate of 28,463 represents a 10% reduction in unplanned maintenance tasks since the last determination.</p>
SSROC	Page 5, section 6	Travel times and repair times	<p>SSROC have incorrectly stated that the time and motion study (Document ID00266) that was the basis of Ausgrid’s travel and repair times was not made publically available. The AER made it clear that not all supporting material was published on their website however would be made available if requested (<a href="http://www.aer.gov.au/sites/default/files/Ausgrid%20-%20further%20supporting%20information%20list%20of%20documents%20-%20May%202014.docx">http://www.aer.gov.au/sites/default/files/Ausgrid%20-%20further%20supporting%20information%20list%20of%20documents%20-%20May%202014.docx</a>).</p> <p>This document along with a number of other public lighting supporting material was publically available with no redactions. It would appear that SSROC have made this submission without having all the available information.</p>
SSROC	Page 6, section 7	Comparison of Ausgrid’s lighting prices with Victoria	<p>Ausgrid would need further time to validate these results and compare public lighting pricing models. However Ausgrid disagrees that the cheapest price is simply the benchmark. Without significant analysis on the Victorian utilities mentioned in SSROC’s submission we are unable to compare and provide appropriate comment on whether an “apples with apples” comparison has been made. Ausgrid considers the AER should not rely on materials that have not been appropriately tested.</p>
CCP	Page 40, Para 5	Unsupported price increases	<p>The CCP states “Any price increase that is unsupported by clear data on cost increases and improved service levels simply embed monopoly rents in the absence of competition.”</p> <p>Ausgrid has provided all data to the AER that supports public lighting prices. Both capital and maintenance charges are calculated using cost build up pricing models, and every dollar that is charged can be justified in these models.</p> <p>Ausgrid would have welcomed the opportunity to discuss the public lighting business</p>

			in detail with the CCP; however at no stage was Ausgrid invited to discuss our submission in any detail. It is disappointing that the CCP appears to have accepted SSROC's view of Public Lighting in Ausgrid's distribution area without any attempt to seek further input from Ausgrid.
<b>Asset lives</b>			
PIAC EUAA	P23 P26	Asset age profile Residual life	<p>PIAC stated:</p> <ol style="list-style-type: none"> <li>1. "...Ausgrid's asset age profile is relatively young and has been getting younger...".</li> <li>2. "...the average remaining life of zone substations has increased from around 25 years to 35 years over a period of just seven years...Ausgrid has clearly replaced many of these recently and the average age is now well below 'standards' seen in other networks operating at high risk levels...".</li> </ol> <p>EUAA also stated "...AER's analysis concluded that the residual life of Ausgrid's assets has been increasing since 2006..."</p> <p>These statements are incorrect. The calculation of the asset age profile was based on a simplistic application of financial data, primarily depreciation, which does not take into account assets at or beyond their accounting lives. Average remaining lives is also a misleading indicator as it does not account for the fact that there exists a significant volume of assets that are at or beyond their useful economic lives.</p> <p>A more accurate measure is the proportion of assets that are at the end of their lives. The addition of a significant group of new assets does not avoid the need to replace older assets. All our replacement projects and programs are identified via condition assessments. Ausgrid has many assets that are over their regulatory life and are still in good service conditions and consequently we do not plan to replace them in this regulatory period. In addition, age has no correlation to compliance, safety or security driven replacement requirements.</p>