



4th February 2019

Mr Sebastian Roberts
General Manager
Networks
Australian Energy Regulator
GPO Box 520
Melbourne VIC 3001

Orana Joint Organisation of Councils - Essential Energy's Public Lighting Proposal

Dear Mr Roberts,

Essential Energy provides Public Lighting Services to Member Councils in the Orana Joint Organisation region and through what was formally known as OROC, the region engaged Energy and Management Services (EMS) to review the Essential Energy 2019 to 2024 Revised Regulatory Proposal in relation to Public Lighting charges. EMS has completed its review and has prepared a detailed report for consideration by the Australian Energy Regulator (AER) in making its Final Determination of Public Lighting charges for the regulatory control period 2019 - 2024. The public version of the report by EMS is attached for the AER's consideration.

The AER has responded actively to the initial EMS report on the Essential Energy Draft Proposal adopting many of the recommendations. Essential Energy has actively engaged with EMS acting on our behalf in framing their Revised Proposal.

This additional analysis by EMS of Essential Energy's Revised Proposal has identified further areas to ensure cost reflective and efficient Public Lighting tariffs.

The Orana Joint Organisation is considering the funding of a bulk replacement program of aged luminaires to modern LED technology and we are particularly concerned to ensure that the tariffs for LED technology afford Member Councils the savings that the technology provides.

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In this regard the Orana JO region is troubled that EE's Revised Proposal adopts relatively high LED tariffs \$38 compared to a peer average of \$23. The EMS report finds that this is driven by:

- Application of a standard rate for non-lamp and non-PE cell failures across all technologies effectively "smearing" this cost such that LED tariffs subsidise older traditional technology; and;
- Is affected by EE's high Corporate Overheads which have increased from the current regulatory period at approximately 35% to a proposed 65% for the next regulatory period

Additional matters identified of concern include:

- The costs associated with the removal of control wires being allocated to Public Lighting is a concern in that Essential Energy have traditionally treated this expense as Standard Control. With a liability based on Essential Energy's rates this is estimated to cost Local Government \$50M in total for the ultimate removal of all control wires;
- Design costs not incurred being allocated to like for like pole replacements;
- Claimed failure rates of 10.88% for 70W HPS lamps unsupported by manufacturer data which indicates 5%; and
- A bulk lamp replacement rate which is materially higher than industry peers

The matters listed above, expanded on in the EMS report along with others detailed, indicate that there is opportunity to improve on Essential Energy's Revised Proposal to ensure that Public Lighting tariffs are cost reflective, provide incentives to move to more efficient technology and provide the foundation for Essential Energy to operate a more efficient business model.

The Orana Joint Organisation of Councils requests that the AER carefully consider the attached EMS report in making its Final Determination.

Yours faithfully,



Clr Doug Batten
Chair
Orana Joint Organisation