

# REROC

RIVERINA EASTERN REGIONAL  
ORGANISATION OF COUNCILS

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23 September 2008

Mike Buckley  
General Manager  
Network Regulation North Branch  
Australian Energy Regulator  
c/o [aerinqury@aer.gov.au](mailto:aerinqury@aer.gov.au)

Dear Mr Buckley,

I write on behalf of the members of the Riverina Eastern Regional Organisation of Councils (REROC) to raise some concerns we have in relation to the Country Energy proposal currently before the AER. This letter is submitted as a supplementary comment to the submission we have previously lodged with the AER in relation to the Country Energy proposal.

REROC has for almost two years attempted to engage Country Energy in progressing a proposal to introduce energy efficient street lighting across the region. An outcome of the proposed project was an analysis of current street lighting arrangements in order to determine what CO<sup>2</sup> savings would be generated as a result of moving to energy efficient lighting. As a result of that analysis our members became aware of a number of issues in relation to the quality of service and product that they were receiving from Country Energy.

In an attempt to resolve these issues; which included lack of an accurate inventory, bills that were not itemised, councils not being consulted about what lights they wanted installed, installation of new lights without advising councils, no Service Level Agreements, poor performance reporting, lack of night patrols, lack of transparency in SLUOS pricing for all types of lighting including energy efficient lighting and no energy efficient lighting option included in the standard set of luminaires, we have held three meetings with Country Energy – one in October 2007 and another in June 2008 and a final one with Mr Craig Murray and several of his senior managers on 26 August, 2008. Our members do not believe that as a result of those meetings we are any closer to resolving the above issues.

At the August meeting Country Energy made it very clear that street lighting was a very small part of the Organisation's total service provision and consequently there would be no Service Level Agreements for councils and performance would be measured only against the NSW Public Lighting Code.

councils working together

Further Country Energy advised that prices would rise, however councils would need to work out for themselves by how much as Country Energy was unable provide any detail (councils will have to match their inventory list of street lights against the Pricing Schedule Country Energy gave the AER to work out what the increase is likely to be). In addition Country Energy advised that the proposed changes to Tariff Type 2 will mean that the REROC councils will have to budget for street lighting replacement; however, Country Energy advised that they did not know what percentage of the current Tariff Type 2 represented asset replacement.

We are concerned that Country Energy's lack of transparency in relation to its pricing proposals are designed to make it difficult for councils to give the proposals appropriate consideration. Councils will have to make individual calculations for each lighting asset in order to determine what the price increase will be, an extremely time consuming activity, given that Country Energy do not provide itemised billing. While Country Energy maintains that it is seeking cost reflective pricing, it is unable to advise councils what that is and what the resulting increase will be in broad terms (even as a percentage against current pricing), however in its AER submission Country Energy refers to "price shocks" so councils must assume that the increase will be significant.

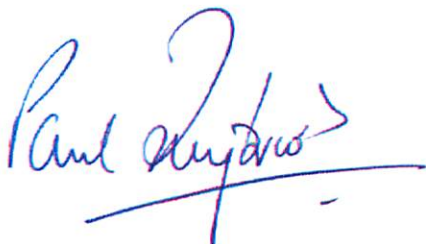
While we appreciate that street lighting is a small part of Country Energy's business it represents a significant expenditure to our councils and is a service that our communities value very highly. We would be failing our ratepayers if we did not seek a value for money proposition from Country Energy, which provides the services that our communities want, including the use of energy efficient lighting.

We do not believe that Country Energy is acting in good faith and are concerned that it is using its monopoly position to force councils into submission in relation to the new pricing regime. We are also concerned that the attitude of Country Energy is becoming a little more aggressive with each meeting and that such an attitude is designed to inhibit our reasonable questioning of their proposals. We consider we have asked reasonable questions which should be answered in a reasonable manner.

We therefore have resolved that the best course of action at this point is to request a meeting with you and representatives from the AER in order to put our concerns forward for your consideration, prior to the final determination on the pricing regime.

Our members look forward to meeting with you in the near future to discuss the concerns we have raised.

Yours sincerely

A handwritten signature in blue ink, appearing to read "Paul Braybrooks", with a horizontal line underneath.

Cr Paul Braybrooks  
Chairman