



Supporting
document 14.8

LGA - Letter of Support

2020-25 Revised
Regulatory Proposal
10 December 2019

In reply please quote our reference: ECM 695207 SN/SR

4 December 2019

Mr Richard Sibly
Head of Regulation
SA Power Networks
GPO Box 77
Adelaide SA 5001

Emailed: Richard.Sibly@sapowernetworks.com.au

Dear Mr Sibly

Support for SA Power Networks' Revised Regulatory Proposal

The Local Government Association of South Australian (LGA) welcomes the opportunity to submit a letter outlining our broad support for SA Power Networks (SAPN) revised regulatory proposal for 2020/21-2024/25 for public lighting.

Since late 2018, the LGA has chaired a Public Lighting Working Group (PLWG), formed to facilitate a practical and representative interface between SAPN and South Australian public lighting customers, including councils and the SA Government's Department of Planning Transport and Infrastructure (DPTI). It was established as a representative body for negotiating issues under the current regulatory framework and facilitating the practical transition to the new regulatory framework commencing in July 2020.

The PLWG is comprised of several South Australian metropolitan and regional local government councils including the City of Charles Sturt, City of Holdfast Bay, City of Mitcham, Mount Barker District Council, City of Mount Gambier, City of Norwood Payneham and St Peters, City of Onkaparinga, City of Port Lincoln, City of Prospect and City of West Torrens, the SA Government's Department of Planning Transport and Infrastructure (DPTI) and expert consultants. It is coordinated and chaired by myself on behalf of the Local Government Association (LGA).

The introduction of the PLWG has resulted in a marked improvement in the relationship and level of communication between SAPN and the local government sector. The information provided through the PLWG has enabled councils to have a broader understanding of public lighting services and the ability to provide input into future processes.

SA Power Networks Distribution Determination Draft Decision 2020 to 2025

Most recently, the PLWG has been discussing issues that were brought up in AER's SA Power Networks Distribution Determination Draft Decision 2020 to 2025 (Attachment 15 Alternative control services) in October 2019.

A small number of issues were tabled in the AER Draft Decision and SAPN and public lighting customers have subsequently reviewed and discussed each of these, with an intention to come to an agreed position before SAPN's revised submission. These are detailed below, as well as the final decision or status update.

Item	Draft Determination	Status
Unplanned column replacements	AER reduced SAPN's unplanned column replacements to 60 columns per year	Both parties accept draft decision as agreed to through ongoing collaboration
Planned column replacements	AER approved SAPN's proposal of 150 per year	LGA originally supported lower number. Through engagement, both parties agree that "extreme" and "very high" rated columns should be replaced, increasing the number to 360. High rated columns should be reinspected every 5 years. The LGA supports SAPN's revised submission.
Proactive cable replacement program	AER approved expenditure for "planned" cable replacement	LGA originally supported removing this unless there was economic justification. This has subsequently been provided and the LGA supports SAPN's revised submission.
Reactive cable faults	AER agreed with the LGA's suggested approach to use a historical average to determine the appropriate rate of cable replacements.	The LGA does not agree with the SAPN proposal to use a 5-year average and prefers that the 10-year average is used.
Elevation charge	Not approved by AER, stating, the charge does not support actual costs incurred by SAPN	Both parties accept draft decision. SAPN will not be reviewing in revised proposal.
Annuity asset life	A 20-year annuity asset life assumption instead of 17 years	Both parties accept draft decision as agreed to through ongoing collaboration
Regional installation premium	Abolish the 5 per cent regional installation premium	Both parties accept draft decision as agreed to through ongoing collaboration. LGA has confirmed support from the sector and will submit documentation.
LED cleaning cycle	Move from the proposed 5 yearly LED cleaning cycle to a 10-year cleaning cycle	Both parties accept draft decision as agreed to through ongoing collaboration. If cleaning is deemed required prior to 10 years, SAPN will discuss cleaning requirements with the specific council and if cleaning is required, this will be delivered as a quoted service.
Public lighting dispute	AER noted the arbitration decision outcomes would be considered in its Final Determination	Both parties have discussed the Public Lighting Dispute, including SAPN's under-recovery during 2015-20. The PLWG felt that the dispute, the PLAB and any possible under-recovery, is a complex issue to provide feedback on. The PLWG endorsed the approach, in principle, to apply any under-recovery to the RAB, noting that any under-recovery would be verified by the AER as part of its Final Determination.

Summary

The table above essentially demonstrates that the parties only disagree on one item – the rate of reactive cable faults. The LGA disagrees with SAPN's proposal but respects SAPN's right to submit the proposed 5-year average of ~938 per year. The LGA intends to submit a response maintaining that the 10-year average be applied as per the AER's draft determination, with the volumes updated to reflect actual fault data.

It is a credit to SAPN and members of the PLWG that we have reached a point of such alignment and agreement.

Related to the new pricing regime, both parties have been working on a new tariff agreement between SAPN and customers which will also be submitted in draft form with SAPN's revised proposal. We acknowledge the work of SAPN and key PLWG stakeholders in developing this document which we believe will be approved by both parties (SAPN and LGA) in early 2020, well before the new regulatory period begins.

The LGA would like to thank SAPN for providing prompt, transparent and clear data when requested, especially around column and cable replacements and maintenance. All queries were followed up, data provided, and every effort was made by SAPN to explain maintenance programs and data analysis.

The LGA would also like to acknowledge the important role the Australian Energy Regulator (AER) plays in providing a fair and transparent process for pricing determinations around public lighting.

This report/document can be made public and published on the AER website as part of SA Power Networks' Revised Regulatory Proposal.

The PLWG continues to be a practical and representative interface between SAPN and South Australian public lighting customers and this is another example of a successfully negotiated outcome. We look forward to facilitating the practical transition to the new ACS framework over the coming months.

Yours sincerely



Steve Nolis

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Chair, Public Lighting Working Group

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