



23 February 2017

General Manager
Australian Energy Regulator
GPO Box 520
MELBOURNE VIC 3001

(sent by email to aer inquiry@aer.gov.au)

**Re: SSROC Submission on Service Target Performance Incentive Scheme (STPIS)
Review & Distribution Reliability Measures Guidelines**

Thank you for the opportunity to comment on the draft reliability standards and guideline settings currently under consideration.

The Southern Sydney Regional Organisation of Councils is making this submission on behalf of 30 councils participating in the SSROC Street Lighting Improvement Program. These councils encompass more than 240,000 street lights which is some 95% of the lights in Ausgrid's distribution area and 40% of the utility street lights in NSW.

I am writing to respond to Question 15 in the Discussion Paper¹ about whether unmetered supplies, and specifically unmetered public lighting, should be included in the performance measurement of electricity distribution networks.

SSROC's position is that current policy settings with respect to unmetered electricity supply and, in particular, for public lighting, are incorrect and lead to poor outcomes for public lighting customers and poor societal outcomes. At present there is:

- **No measurement of the reliability of unmetered supply to some 2.3 million public lights in the National Electricity Market;**
- **No requirements to report on the reliability of unmetered supply to public lighting; and**
- **No incentive to repair network supply faults to unmetered public lighting and specifically, no financial consequence for failing to repair faults even for an extended duration of many weeks or months.**

Overall, unmetered electricity supply is held to a substantially lower reliability standard than for all other classes of electricity network distribution customers and a change to STPIS to include unmetered supplies is an important first step in addressing this.

¹ <http://www.aer.gov.au/system/files/AER%20Issues%20paper%20-%20Reviewing%20the%20Service%20Target%20Performance%20Incentive%20Scheme%20and%20Establishing%20a%20new%20Distribution%20Reliability%20Measures%20Guidelines.pdf>

Question 15 of the STPIS Review asks, “Should unmetered supplies be included in the performance measure?” In responding to this question, SSROC makes the following points:

1. The AER is required to establish a Service Target Performance Incentive Scheme for DNSPs by [Section 6.6.2 of the National Electricity Rules](#). Section 6.6.2 notably makes no reference whatsoever to exclusions for certain classes of electricity customers. SSROC submits that STPIS in its current form is not operating as intended with respect to customers of the DNSPs across the NEM with unmetered supply and strongly welcomes the consideration being given by the AER to addressing this issue.
2. Electricity distributors in the NEM, such Ausgrid that serves councils in our region, have been aiming for 99.999% reliability on their networks for some years² and made substantial investment over the last two regulatory periods to meet a number of reliability goals. However, public lighting supply has been held to a different and substantially lower power supply reliability service standard than general network distribution customers throughout this period.
3. Reliability reporting requirements for electricity distributors in the National Electricity Market are based on the national guidelines first established by SCORRRR and detailed in the [National Regulatory Reporting for Electricity Distribution and Retailing Businesses - Utilities Regulators Forum Discussion Paper March 2002](#).

Of note in this foundation document are that: 1) public lighting customers were to be explicitly excluded from the definition of distribution customers (p8); and 2) interruptions to unmetered public lighting supplies were to be explicitly excluded from reliability reporting (p6).

This important early Discussion Paper provided the basis for subsequent exclusions of public lighting in later regulation and guidelines. Importantly, it stated that, *“Submissions noted that a number of distribution services (such as street lighting) are contestable in some states. While contestability may provide an incentive for improved service quality, it is nevertheless important for regulators (and the wider community) to have information on the quality of these services within their jurisdiction, and therefore to include the services in performance reporting. These customer service measures may be reviewed as contestable markets evolve.”*

The original assumption in the 2002 Discussion Paper that street lighting was contestable in some states was erroneous at least as it applies to the vast majority of the 2.3 million street lights owned by the electricity distributors across the National Electricity Market. Irrespective of whether street lighting installation and maintenance is or is not contestable, the supply of electricity to it is not.

4. As a result of this early work, the AER’s current document describing how reliability is to be measured for electricity distributors, the [Service Target Performance Incentive Scheme](#), states in Appendix A, page 26 that, “Unmetered street lighting supplies are excluded”.
5. States within the NEM have developed electricity network reliability reports consistent with the national guidelines first established by SCORRRR and subsequent AER guidelines.

² EnergyAustralia presentation to AER Forum 30 July 2009

For example, under the NSW Electricity Network Performance Report – Annual Report Outline (Revised June 2015³), network supply to public lighting is explicitly excluded from all NSW reliability measures (eg SAIDI, SAIFI and MAIFI) in Attachment A pages 21-22. Public lighting reliability is consequently excluded from all measures of overall network reliability reported on under mandated Ministerially-imposed licence conditions⁴ and IPART’s NSW DNSP reporting requirements⁵.

As it stands, there is no regulated reliability target for NSW public lighting with only voluntary provisions in the non-binding NSW Public Lighting Code⁶. In Section 11.1, the NSW Code cites the need to maintain the in-service values of the Australia Standard AS/NZ1158. This Australian Standard sets a minimum 95% availability at any given point. 95% availability is notably several standard deviations lower level of reliability than is being targeted for other classes of network customers. And, there is no penalty specified for failing to meet even this reliability level or any incentive to exceed it.

Following the pattern established under STPIS, prolonged outages due to underground supply faults have been excluded from the NSW Public Lighting Code (11.2 b) and there is no requirement for DNSP’s to report average repair times to Councils for such faults. Most prolonged street lighting outages (some documented by councils at over 200 days) appear to be caused by network supply faults.

Even in the case of prolonged outages, Councils are still required by the DNSP to pay the full capital, maintenance, energy and network distributions costs for public lighting despite the service not having been provided.

6. Beyond the issues that the AER normally considers in formulating policy, SSROC also notes that there is a consequent public safety risk involved in not addressing this issue. Main roads, where most prolonged underground supply faults occur, are the roads where the risk of road accidents causing injury and death is greatest. AS/NZS 1158 recognises that street lighting can reduce night time accident rates by about 30%. Leaving prolonged power supply outages to public lighting unaddressed negates this important community safety benefit. It is not in society’s interest for there to be no incentive to promptly repair supply faults to public lighting.

In summary, without measurement of the reliability of unmetered supply to public lighting, without reporting of supply interruptions and without any financial incentive to repair network supply faults to public lighting in a timely fashion, it is clear that public lighting is held to both a substantially lower reliability standard than for all other classes of network distribution customers and that the current policy settings are incorrect for unmetered supply. Unmetered supply should therefore be included in STPIS as an important first step to addressing these issues.

³ http://www.resourcesandenergy.nsw.gov.au/data/assets/pdf_file/0004/564790/Report-2015-Outline-Distribution-Final.pdf

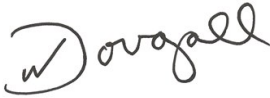
⁴ http://www.ipart.nsw.gov.au/files/sharedassets/website/trimholdingbay/reporting_manual_-_electricity_distribution_network_service_provider_-_march_2015.pdf

⁵ IPART Reporting Manual – Electricity Distribution Network Service Provider, March 2015

⁶ http://www.resourcesandenergy.nsw.gov.au/energy-supply-industry/legislation-and-policy/electricity-legislation/code-review/electricity_legislation_nsw_public_lighting_code.pdf

SSROC welcomes further discussion with the AER about this submission at any point.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Dougall', with a stylized initial 'D'.

Namoi Dougall
General Manager
Southern Sydney Regional Organisation of Councils

cc: SLI Program Councils