



17th November 2008

Mr Mike Buckley
General Manager
Network Regulation North Branch
Australian Energy Regulator
c/o aerinquiry@aer.gov.au

Dear Mr Buckley,

Re: SSROC SUPPLEMENTARY SUBMISSION ON ENERGYAUSTRALIA'S PUBLIC LIGHTING PROPOSAL FOR 2009-14

This submission is a supplement to the 8 August and 15 August submissions made by SSROC on behalf of the 34 Councils in the SLI Program.

On 1 November, the AER released a further submission from EnergyAustralia (EnergyAustralia supplementary submission.pdf). This consisted of a letter and tabular response to some of the key concerns about public lighting pricing proposals that have been raised by local government.

In summary, EnergyAustralia has again declined to publicly substantiate the basis of its large proposed price increases by disclosing underlying modeling and cost information to customers. It is of real concern that the limited additional information provided by EnergyAustralia does not adequately address many of the key points raised in Council submissions to the AER.

This lack of adequate disclosure is particularly disappointing given the comments of George Maltabarow, CEO of EnergyAustralia, at the 30 July 2008 AER Forum in Sydney. In response to specific questions about the lack of disclosure in the initial EnergyAustralia submission, Mr Maltabarow said that, he "...cannot see why this information should not be made available, especially if it was available as part of the previous IPART determination¹".

As SSROC noted in its submission to the AER of 15 August, EnergyAustralia provided a wide range of detailed pricing information to its customers in the last pricing reset in 2004/05 including detailed assumptions about capital costs, overheads, labour costs and labour productivity. None of this information has been made available to customers in this pricing review.

Without this vital information, Councils are unable to assess and meaningful comment on key concerns such as:

- 1) Apparent substantial price premiums being sought for energy efficient public lighting including why price proposals appear inconsistent with a previous confidential costing report provided by EnergyAustralia, with pricing information provided directly to Councils by the suppliers of these types of lighting and with reasonable benchmarks at other DNSPs;
- 2) Whether EnergyAustralia's labour assumptions are appropriate particularly, for example, given the large number of replacements taking place under bulk luminaire replacement programs and given previous

¹ AER Minutes of 30 July 2008 Forum in Sydney

large discrepancies in labour productivity assumptions between EnergyAustralia and the Victorian ESC pricing review in 2004; and

- 3) The precise calculation approach used in EnergyAustralia's novel annuity basis of capital calculations and for proposed new rate structures.

Councils strongly welcomed the AER's 30 July comments about the importance of transparency. In this context, I reiterate that the Victorian ESC was able to stage a public pricing review process in 2004. Capital costs, consumables costs, assumed failure rates, labour costs and labour productivity were all presented and validated, and revised in an open process. There does not seem to be any reasonable barrier to similar levels of disclosure in NSW. Indeed, without it, the integrity of the AER's pricing review process is at risk of being severely undermined.

Full information disclosure for monopoly services should be at the core of the AER's pricing review process. Customers cannot have confidence in pricing decisions if the basis of the costs is not understood, particular when substantial increases are sought.

SSROC welcomes further discussion with the AER about the issue of disclosure as well as matters raised in previously submitted documents.

Yours sincerely,



David Lewis
General Manager
SSROC

CC: *Cr Genia McCaffery, President, Local Government Association*
Richard Connors – Senior Policy Officer – Roads & Transport, LGSA
Dominic Johnson – Executive Director, NSROC
Leta Webb – Executive Director, SHOROC
CEO - Hunter Councils
SLI Program Councils:

The Council of the Municipality of Ashfield
The Council of the City of Botany Bay
City of Canada Bay Council
Cessnock City Council
Gosford City Council
The Council of the Municipality of Hunters Hill
Kogarah Municipal Council
Lake Macquarie City Council
Leichhardt Municipal Council
Mosman Municipal Council
North Sydney Council
Port Stephens Council
Rockdale City Council
Singleton Shire Council
Sutherland Shire Council
Waverley Council
Woollahra Municipal Council
The Council of the Municipality of Ashfield
The Council of the City of Botany Bay
City of Canada Bay Council

Bankstown City Council
Burwood Council
Canterbury City Council
Council of the City of Sydney
The Council of the Shire of Hornsby
Hurstville City Council
Ku-ring-gai Council
Lane Cove Municipal Council
Marrickville Council
Newcastle City Council
Pittwater Council
Randwick City Council
Ryde City Council
Strathfield Municipal Council
Warringah Council
Willoughby City Council
Wyong Shire Council
Bankstown City Council
Burwood Council
Canterbury City Council

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