

Coonabarabran:

14-22 John Street  
Coonabarabran NSW 2357

PO Box 191  
Coonabarabran NSW 2357

ABN: 63 348 671 239



Calls from within Shire  
1300 795 099

Calls from outside Shire area  
Coonabarabran:  
02 6849 2000

Coolah: 02 6378 5000

Fax: 02 6842 1337

Email:  
[info@warrumbungle.nsw.gov.au](mailto:info@warrumbungle.nsw.gov.au)

Coonabarabran - Coolah - Dunedoo - Baradine - Binnaway - Mendooran

Please address all mail to:  
The General Manager

Please refer enquiries to: R Bailey

1 August 2018

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

Dear Mr Roberts

### **Warrumbungle Shire Council – Essential Energy Public Lighting Proposal**

Warrumbungle Shire Council is a member of the Orana Regional Organisation of Councils (OROC). On behalf of member Councils OROC engaged Energy and Management Services (EMS) to review the Essential Energy 2019 to 2024 Regulatory Proposal in relation to Public Lighting Charges. EMS have completed their review and prepared a detailed report for consideration by the Australian Energy Regulator (AER) in making its determination of Public Lighting Charges for the regulatory control period. The public version of the report by EMS is attached for the AER's consideration.

The report by EMS has identified areas for improvement in Asset Management practices and material errors in the determination of the proposed Public Lighting Tariffs. While the report will be helpful for the AER in making their determination of efficient Public Lighting charges it will also be helpful for the Essential Energy Street Lighting Consultative Committee (SLCC) to pursue Asset Management and service improvements.

The tariff model and its assumptions were reviewed in detail and material errors of overcharging identified including:

- Inappropriate recovery of stranded assets from Councils - \$457,000 per annum
- Incorrect assumption for cost of traffic route lighting night patrols - \$418,000 per annum
- Model has used incorrect hours for spot repairs compared to proposal - \$1,355,000 per annum
- Misallocation of materials resulting in wrong or double charging - \$227,000 per annum
- 70W HPS lamp only failure rate at 13.2% overstated - \$558,000 per annum
- Design costs not incurred recovered for pole replacement - \$369,000 per annum

The overcharging through the proposed tariff model is calculated as \$3.0M per year for the maintenance only component plus recovery of design costs not incurred of \$369,000 through capital tariffs.

**The estimated over charging to the OROC Councils is \$365,000 per annum**

The errors in the charging model and its assumptions aside, Essential Energy has a practice of charging a particularly high Corporate Overhead rate of 50.36% even for works fully outsourced to contractors. Council suggests that such a high overhead rate is questionable and not reflective of the overheads to manage the Public Lighting ancillary service.

Council through the SLCC intends to pursue with Essential Energy Asset Management practice and service issues including:

- Improvements to the Enterprise Asset Management System regarding the capture of failure details, cause and source
- The provision of more detailed asset performance reports
- Enhancements to the AMP to include evidence of the detail, assumptions and targets
- Review adequacy of the traffic route uptime of 95%
- Provision of audit and control reports around costs and work execution
- Deficient performance in the rectification of Night Patrol identified faults
- Updating of the 2011 Public Lighting Management Plan
- Review of the contract model for bulk lamp replacement which is less than ideal
- Consider replacing all 70W HPS lamps with Twin Arc lamps where LED upgrade is not viable

The matters listed above, expanded in the EMS report along with others detailed, indicate that there are improvements to be made by Essential Energy in their approach to managing Public Lighting on behalf of Councils. The Asset Management Plan (AMP) attached as a supporting document to the Proposal is lacking in evidence and detail and given the findings of the EMS report it would indicate that the management of the Public Lighting asset could be significantly improved. Given the evidence in the report the AER should consider if the Asset Management practices of Essential are likely to be efficient and if not substitute the proposed charges with an efficient determination.

Council will be requesting that the SLCC be reestablished with a subject matter expert (SME) providing leadership and assistance to represent Councils. Given the substantial Corporate Overhead rate of 50.36% applied to all maintenance costs and the evident improvement opportunities Council suggests that Essential Energy provide some modest funding for the Councils to independently engage the SME.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'R. Bailey', followed by a large, loopy flourish.

**ROGER BAILEY**  
**GENERAL MANAGER**