



Southern Lights NSW
C/- Central NSW Joint Organisation
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19 January 2023

ATTN: Arek Gulbenkoglul
General Manager
Australian Energy Regulator
GPO Box 3131
Canberra ACT 2601
Submitted via AERresets2024-29@aer.gov.au

Dear Arek,

RE: Essential Energy Determination 2024-29 – Revised Public Lighting Pricing Proposal

The Southern Lights NSW Group is a consortium made up of Central NSW Joint Organisation (CNSWJO), Riverina Eastern Regional Organisation of Councils (REROC), Riverina and Murray Joint Organisation (RAMJO), Dubbo City Council and Broken Hill City Council. This group encompasses a third of the street lights managed by Essential Energy and has led council advocacy for LEDs and smart street lighting controls.

Southern Lights NSW has been engaging with Essential Energy on the full range of technology, service and pricing issues associated with street lighting for some years and over a number of pricing reviews.

I am writing to comment on the public lighting aspects of Essential Energy's 2024-29 pricing proposal. In our submission of 12 May 2023, we raised a number of concerns about Essential Energy's public lighting proposal. Since that time, Southern Lights has participated in constructive and public lighting pricing discussions with Essential Energy. Unfortunately, many of the concerns raised in our May submission remain. We have reached this conclusion because of the following:

1. While welcoming the increasingly open dialogue, Southern Lights have concluded that Essential Energy public lighting pricing is effectively based on a cost plus approach with little inherent incentive for cost control.
2. Southern Lights NSW strongly welcomed the AER's move to adopt a standardized street lighting pricing model for NSW DNSPs in the 2024-29 pricing review. This approach highlighted a number of large differences between Essential Energy's public lighting pricing and those of the other NSW DNSPs (as outlined in our previous submission).
3. Southern Lights do not believe that sufficient work has been done by Essential Energy to benchmark costs of key items (e.g., traffic control, night patrols, overall category V lighting prices) against the pricing of other NSW DNSPs. We also note that concerns about minor capital works charges, an apparent difference in Essential Energy's interpretation of the NSW

Public Lighting Code as compared to the other DNSPs and about persistent billing issues remain largely unresolved (see commentary in May 2023 submission on each of these items).

4. Overall, Southern Lights remain unable to adequately justify the large price differences between Essential Energy and the other NSW DNSPs on key aspects in their revised proposal.

Southern Lights believe that the AER should therefore reject the revised Essential Energy pricing proposal and instead consider an approach involving:

- a pricing model the AER deems reasonable in the context of the above advice; and
- imposing an annual efficiency gain for future years of the 2024-29 Determination designed to progressively bring pricing into line with that of other reasonable benchmarks (while having due regard for Essential Energy's largely regional public lighting base).

In the course of discussions, Southern Lights proposed the approach of having an annual efficiency gain built into pricing to Essential Energy to give them a reasonable opportunity to improve processes. Southern Lights continues to believe that this is a reasonable approach and remains keen to continue to work with Essential Energy to help identify and implement improvements.

Lack of Pricing For and Firm Commitment to Smart Controls

Beyond our concerns about the revised price proposal, we also note continuing concern about the lack of pricing and firm Essential Energy commitment to widely adopt smart street lighting controls. The deployment of smart street lighting controls was agreed to as part of the LED upgrade in the original 2017-2018 co-design process involving a wide array of Essential Energy management and council representatives. This technology is the only effective tool for councils to take energy savings further and would fundamentally improve service levels.

With regards to the financial benefits of smart controls, we note that in the revised Essential Energy pricing proposal one item alone, Essential Energy's cost of night patrols, is nearly half the total cost of Ausgrid's combined capex and OPEX pricing for smart controls (see Ausgrid Revised Pricing Proposal). Smart controls would negate the need for night patrols as well as offering energy savings and many other benefits.

More than 30 million smart street lighting controls have been deployed around the world. They are not new technology and it should not be acceptable for their widespread deployment to be unreasonably delayed. This kind of outcome on smart controls, when councils had clearly articulated a position more than five years ago, is simply unacceptable and suggests a system of managing public lighting and public lighting pricing that is not working in the interests of the community.

We welcome the AER's further review of Essential Energy 2024-29 public lighting pricing. If you require further information or clarification on comments, please do not hesitate to contact me on [REDACTED].

Yours sincerely,

[REDACTED]
Jenny Bennett
Project Manager, Southern Lights NSW
Executive Officer, Central NSW Joint Organisation