

File no: 118-21-2/4

23 March 2009

General Manager
Network Regulation North Branch
Australian Energy Regulator
GPO Box 3131
CANBERRA ACT 2601

Attention: Mike Buckley

Dear Sir,

Draft Decision New South Wales Draft Distribution Determination 2009-10 to 2013-14 Alternative Control (Public Lighting) Services 6 March 2009

Blacktown City Council hereby wishes to lodge a submission relating to the Draft Decision New South Wales Draft Distribution Determination 2009-10 to 2013-14 Alternative Control (Public Lighting) Services 6 March 2009.

The draft decision document indicates that - "Each of the NSW DNSP's have at various times during the current regulatory control period submitted applications to IPART seeking to have their public lighting charges increased. The applications generally state that current public lighting charges were below the cost of service provision and involved some degree of cross subsidisation. The applications from the NSW DNSP's also anticipate that further increases are necessary in order to move existing charges to a cost reflective position. IPART reviewed the capital and operating expenditures proposed by the DNSP's and, based on its conclusions, modelled the revenues and price paths. IPART accepted annual real price increases of between 2 per cent and 10 per cent in the current regulatory control period on the basis that the increases met its Excluded Distribution Services Rule 2004/1 and were required to move prices towards the actual cost of service provision."

Integral Energy made a submission to IPART on 21 December 2007 titled "Prices for the construction and maintenance of Integral Energy's Public Lighting Infrastructure Report to the Independent Pricing and Regulatory Tribunal of NSW" for an increase in pricing for street lighting which equated to a 5.5% increase from 1 February 2008 with further increases totalling 14.4% being identified over a 5 year period. Blacktown City Council made allowances in its budget to include the approved 5.5% increase and noting that the remaining balance of 8.9% would follow over 4 years commencing 2009/10. The latest draft decision now indicates an increase in Blacktown City Council's public lighting bill of 11%.

The IPART decision approved an increase in pricing for Integral Energy for the next 4 years of 8.9% to move to a more cost reflective position yet it appears that a further 11% the 2009/10 financial year is now being recommended by the AER. The true increase to Council is now difficult to determine due to the variation between the IPART and AER decisions. Council is raising concerns that if the initial submission was prepared and approved to achieve a cost reflective strategy over a five year period, why is AER now supporting a second submission from Integral Energy to achieve the same cost reflective strategy 1 year into the previous decision.

As yet, Blacktown City Council has not been approached by Integral Energy by any of its representatives to discuss the impacts or to explain options or alternatives of this latest proposal. It should be noted that the overall level of consultation with Blacktown City Council by Integral Energy has been less than satisfactory. In addition the time available to make comment on such an important issue is considered unsatisfactory as a significant amount of research needs to be undertaken in order to understand the complexities of this proposal.

The budgetary implications imposed on Council and its ratepayers, as a result of these substantial price increases, is of major concern to Council. If the current 11% proposal is added to the previously approved 14.4% increase Council is looking at a 25.4% increase in annual charges on its budget. Given that Council's Annual Charges is in the order of \$2.16M this level of increase is considered unreasonable, particularly if the 11% is passed on one financial year.

There have been 2 submissions made by Council on this issue which appear to have done little in allaying Council's concerns about the continuous requests for increases to pricing and there appears to be no avenue open to Council for resolution.

Should you require any further information regarding this matter, please contact Council's Traffic Management Officer, Andy Karklins on 9839 6305.

Yours faithfully,
RON MOORE
GENERAL MANAGER

Per: