



8 August 2014

Australian Energy Regulator
NSWACTelectricity@aer.gov.au

Dear Regulator

Submission to Essential Energy Determination 2014-2019 Public Lighting Proposal

Byron Shire Council wishes to lodge a submission in response to the Essential Energy submission to the Australian Energy Regulator (AER) Essential Energy Substantive Regulatory Proposal Determination 2014-19. The focus of Council's submission is on the Public Lighting Proposal section of the Essential Energy proposal.

Council is supportive of the joint submission to be lodged on behalf of a number of Regional Organisations of Councils, including the Northern Rivers Regional Organisation of Councils (NOROC), of which Byron Shire Council is a member.

In addition to this joint submission, the following brief points are provided:

1. Financial Pressure on Local Governments in General

The Essential Energy proposal identifies a potential cost increase to Council's street lighting charges of 86% between the 14/15 and 15/16 financial years. The vast majority of this increase is on operating costs, with no proposed increase in the number of street lights over the period. Council's long term financial plan assumes an annual increase in costs of 3% per year.

These increases will impact on Council's financial situation and will reduce our ability to provide services to our community. Council will need to consider if it will need to reduce the number of street lights provided to reduce the cost.

2. Capital investment in Energy Efficient Lighting over Recent Years

In 2008, all Councils within the Northern Rivers worked closely with Essential / Country Energy in facilitating an upgrade of all street lights to replace the older style lights with more energy efficient types of lights.

There were various pay back periods and we were encouraged to make the capital contribution to the upgrades on the basis that there would be a short return on investment, due to the reduced electricity usage, as well as the improved life expectancy and durability of the new types of lights that would result in reduced SLUOS and NUOS charges.

The proposal is now to impose significant increases in NUOS and SLUOS charges, effectively eliminating any return on investment for this process and improving our Council's financial outlook.

ALL COMMUNICATIONS TO BE ADDRESSED TO THE GENERAL MANAGER

PO Box 219 Mullumbimby NSW 2482 (70-90 Station Street)

Tel: 02 6626 7000 DX20007 Mullumbimby

Fax: 02 6684 3018 Email: council@byron.nsw.gov.au

Web www.byron.nsw.gov.au ABN: 14 472 131 473

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3. Streetlight Business Income and Expenses in Public Lighting Proposal

From our review it has been noted that the period used for the lighting cost history in the Essential Energy proposal is from 2010/11 through to 2013/14 (Table 8).

In the early years of this time period, the replacement of the old street lights with new more energy efficient luminaires would have been in the process of implementation, as is reflected in the capital costs of bulk replacements. The trend during this period is an increase in public lighting revenue, and decrease in operating costs associated with spot repairs and bulk replacements.

Our review indicates that if it were not for the inclusion of the line items of "Contingency for complete bulk lamp cycle" in 2013/14, and the "Divisional and Corporate Overheads", then the net cost of public lighting would be a small profit in 2013/14. This would appear to reflect the winding down of the capital replacement program that has been in place throughout the period reported in Table 8.

The figures used for Overheads in this table represent an average of 25% of costs over this period, which seems unusually high for an activity that is ancillary to the main business of operating the distribution system.

4. Past and Future Service Level Targets and Compliance

The proposed service levels have not been discussed with Councils. In particular, the increased proposed bulk lamp replacement frequency of 3 years (down from 4 years) is of some concern (Refer to Table in the Executive Summary).

The main reason for this is that it was known and admitted by Essential / Country Energy during discussions on the changeover to more energy efficient lights, that the 4 year frequency of bulk lamp replacements had never been met in the past. There was a major backlog of these, and the plan was to address the backlog and change over to new lights at the same time, to create economies of scale and avoid duplicating work.

The bulk lamp replacement frequency proposed now is an increase to a performance target that has never been met before, and is being used to justify the exorbitant increases in costs. It is important to note at this point that the failure to meet the bulk lamp replacement frequency of 4 years in the past, led to very little reduction in service levels, or complaints from customers and the general public.

Most of the newer more energy efficient street lights will perform for twice this period satisfactorily without the need for replacement, and a similar comment would apply to the cleaning of the lights as well.

In other words, there is more than likely a better case to support a longer bulk lamp replacement and cleaning frequency, than there is to support the proposed reduced bulk lamp replacement frequency of 3 years, and the associated increase in costs that goes with this.

5. Service Level Determination and Consultation

There is a legislative background in place that should be reviewed before any determination is considered. The service levels proposed by Essential Energy are in response to the NSW Public Lighting Code, which was last reviewed in 2006; and the Essential Energy Public Lighting Management Plan 2010 which was last reviewed in March 2011 (mostly changes to name from Country Energy to Essential Energy).

In light of the impact of the proposed increases in charges contained in the Essential Energy proposal, it would seem more prudent to sit down with the monopoly business customers and firstly review the levels of service contained in these dated documents. There should be a process to assess the customer's willingness to pay, before any determination is made, otherwise the opportunity for the customer to negotiate reduced service levels is lost.

Conclusion and Recommended Way Forward

Given the nature of the increases proposed by Essential Energy, it is Council's position that the first step in the process should be to review both the NSW Public Lighting Code and the Essential Energy Public Lighting Management Plan, in consultation with Local Government and the Roads and Maritime Services, as the primary customers / contributors to the service. This will ensure that these documents reflect the service levels that these organisations, and the communities they represent, are willing to pay for, before any additional costs are imposed.

Should you have any further enquiries please do not hesitate to contact me by telephoning (02) 6626 7101

Yours sincerely



Phillip Holloway
Director
Infrastructure Services