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

Contact: Mr C. Eddy  
NAR No:  
Your Ref: Traffic ID 4300

Dear Mr Buckley,

**RE: COUNCIL CONCERNS ABOUT 2009-2014 ENERGY AUSTRALIA PUBLIC LIGHTING PRICING PROPOSAL (TRAFFIC ID 08/09/4300)**

It is with concern that Council has noted Energy Australia's recent proposal to the AER for a 38.6% real increase in capital and maintenance charges for public lighting over the next 5 years (e.g. 2009-2014 regulatory periods) and a 90.2% real increase in network distribution charges for public lighting over the same period. These proposed increases follow very significant increases in capital and maintenance charges totalling some 40% since 2005.

Council asks that the AER consider the following key principles in its pricing review:

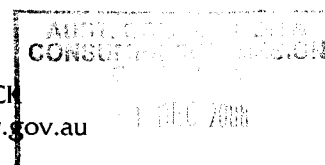
1) Pricing Based on an Efficient Cost of Service – Councils strongly welcome the AER's comments at its 30 July public forum that pricing is to be fair and reasonable, reflecting the efficient cost of service. There is significant Council concern that Energy Australia's cost of service for public lighting is insupportably high.

In particular, in this and other recent Energy Australia price proposals to Councils, there are large and unsupported Energy Australia component price movements, unexplained differences between the pricing for key light types and significant gaps when benchmarking Energy Australia pricing against other utilities. A key example of this is current Energy Australia proposals about the pricing for new energy efficient lighting.

Underlining the importance of pricing being no higher than warranted is the difficulty for Councils in managing large increases under NSW rate capping. In this context, we note in particular the large first year increase in capital and maintenance charges proposed by Energy Australia, of 11% plus CPI.

2) Link between price & service level – Street lighting is a monopoly service of NSW electricity distributors yet there are no contracts, no binding service regulation and there has been ineffective regulatory oversight of pricing to date. In recent years, there has thus been no clear recourse for non-compliance with the voluntary Public Lighting Code, misinvestment in lighting types not supported by Councils and, unwarranted delays and obstacles to the timely adoption of energy efficient lighting and repair of existing lights. Councils are in an untenable position of having responsibility for the safety, security, energy, greenhouse gas emissions and costs of lighting, but have no meaningful control over key aspects of the service provided. While Council recognises that the regulatory framework is not under the control of the AER, it is important to note that there cannot be confidence in pricing decisions unless there is clarity about what the price is for.

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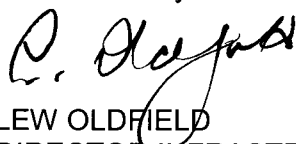
3) Transparency & Timely Information Provision – Council strongly welcomes the AER's comments at its 30 July public forum about the importance of transparency and the acknowledgement of the significant information asymmetry in the review of public lighting price proposals. Unfortunately, as of 5 August 2008, Energy Australia had yet to provide underlying Cost-to-Serve modelling to Councils.

While Councils appreciate that the AER is bound to meet a number of pricing reviews timetable provisions, it is unreasonable to expect meaningful input from stakeholders without full information disclosure within a reasonable review timeframe. To bring confidence in the pricing regime, it is essential that pricing reviews are based on clear, timely and open disclosure of cost analyses that are then properly benchmarked.

Council is one of 34 Councils participating in the SSROC Street Lighting Improvement Program. The SLI Program have made a detailed submission and we ask that the general issues raised in this submission and the more detailed issues raised in the SLI Program submission receives careful scrutiny.

If you require further information, please contact the Infrastructure Services Manager (Mr Kevin Dillon) on (02) 49934281 or the Engineering Officer - Traffic Assets (Mr. C Eddy) on (02) 49934246.

Yours faithfully



LEW OLDFIELD  
DIRECTOR INFRASTRUCTURE & SERVICES

26<sup>th</sup> November 2008