



Date: 13th May 2013

Mr Chris Pattas
General Manager, Network Operations and Development
Australian Energy Regulator
GPO Box 520
MELBOURNE VIC 3001

Sent: Costallocations@aer.gov.au

SUBJECT: SHARED ASSET GUIDELINES REGULATORY SUBMISSION

Dear Mr Pattas

Citelum Australia welcomes the opportunity to make a submission to the AER's Better Regulation Programme. Citelum Australia part of the global specialist public lighting Group Citelum has been operating in Australia since 2009.

We believe there are some fundamental considerations already within the National Electrical Rules that should serve as the framework before any costing or revenue allocation is apportioned to the Network Service Provider or pricing regime and that the risk allocation of the shared asset needs to be established first in the guideline.

Firstly to establish this perspective we highlight the following from the National Electricity Rules:

Chapter 5 - Network Connections

5.2.1 (a) All Registered Participants must maintain and operate (or ensure their authorised representatives maintain and operate) all equipment that is part of their facilities in accordance with:

- (1) relevant laws;*
- (2) the requirements of the Rules; and (3) good electricity industry practice and applicable Australian Standards.*

Based on this premise of requirement with the rules, we refer to the Service and Installation Rules, reference in South Australia and Victoria which details shared assets or assets mounted upon a Distributor's pole.

Victoria : Service and Installation Rules 7.8.5.1
South Australia: Service and Installation Rules 7.8.4.1

Typical equipment that is subject to an agreement with the relevant Distributor and compliance with the Shared Use of Poles Code includes:

*electrical installations attached to poles for broadband transmissions and mobile library supplies; and
parts of electrical installations containing other than consumer's terminals and*

service protection devices, eg; circuit breakers, residual current devices or other control gear and cabling that supply electrical installations such as bus shelters, **telecommunications** equipment, **public lighting**, sprinkler systems etc; and Lights, Traffic Signals, Antennas, **telecommunication / broadband cabling**, signs, banners, decorations, etc.

Application for installation of equipment on a Distributor's pole should be made in accordance with clause 5.4 (Application for Supply) at the earliest opportunity after a decision to proceed is made.

*In all cases, where equipment other than network assets are located upon a Distributor's pole, the customer/person or body responsible for the equipment shall be responsible for the **installation, maintenance and liability** associated with their equipment. This shall include the removal and/or relocation of the equipment if it impedes use of the pole by the Distributor, and the removal and re-instatement of their equipment upon pole maintenance, relocation or replacement.*

We have established that a range of assets including broadband cabling and public lighting using a distributor's pole is a shared asset and both essential services can be mounted on a distributor's pole.

Pricing can then be determined in accordance with Chapter 6 and Chapter 5 of the National Electricity Rules and this is demonstrated from the following parts:

Chapter 6 - 6.7.1 Principles relating to access to negotiated distribution services

(8) any access charges:

(A) in respect of providing distribution network user access to negotiated distribution services which would have been negotiated distribution services regardless of the operation of clause 6.24.2(c) should be based on the costs reasonably incurred by the Distribution Network Service Provider in providing that access and, in the case of compensation referred to in clauses 5.5(f)(4)(ii) and (iii), on the revenue that is likely to be foregone and the costs that are likely to be incurred by a person referred to in those provisions where an event referred to in those provisions occurs; and

Now this clause above refers to 5.5 part(f)(4)(ii) and (iii) it frames the charges that the Distribution Network Service Provider can charge the **Connection Applicant** and further reading of this part of Chapter 5.5 also stipulates the maximum use of system charges Distribution Network Service Provider must be in accordance

Chapter 5.5 Access arrangements relating to Distribution Networks

*(g) The **maximum** negotiated use of system charges applied by a Distribution Network Service Provider **must be** in accordance with the applicable requirements of Chapter 6 and the Negotiated Distribution Service Criteria applicable to the Distribution Network Service Provider.*

When we refer back to Chapter 6 of the Access to Negotiated services we find that the pricing framework must take into account the allocation of risk as demonstrated in the following clause:

*6.7.1 (10) the terms and conditions of access for a negotiated distribution service (including, in particular, any exclusions and limitations of liability and indemnities) **must not be unreasonably onerous** taking into account the **allocation of risk** between the Distribution Network Service Provider and the **other party, the price** for the negotiated distribution service and the costs to the Distribution Network Service Provider*

of providing the negotiated distribution service;

Therefore when we refer back to the Service and Installation Rules co-authored by all the Distribution Network Service Providers in two States that in all cases the allocation of risk is to the other party, then the price should be commensurate with and that the price must not be onerous on that party willing to take that risk.

We would contend that already within Victoria, a similar arrangement exists in that in this case it is DNSP mounting their assets on another asset owner's pole. They are receiving a benefit for transporting energy throughout metropolitan Melbourne and have the flexibility of reasonably attaching their assets at no cost to their own operation.

This arrangement is demonstrated in what we understand to be a Memorandum of Understanding MOU between the Victorian DNSP's and the current Tram Operator in Victoria in that the DNSP's can mount their connection assets on someone else's assets without charge to the DNSP because its is deemed that the shared asset is a public service and that the DNSP takes allocation of risk.

Any revenue the DNSP is like to derive must be taken on this fundamental concept of risk and price and if the DNSP indicates that in all cases that risk and liability is held with the other party then the DNSP should not be able to charge a rental.

Alternatively the DNSP takes risk alleviating the owner of the shared asset and therefore derives a revenue for undertaking this service.

We would welcome any further discussion regarding this submission and we can be contacted on 1300 CITELUM or 0407 639 110 or apcarey@citelum.com.au

Best Regards,



Adam Carey
Managing Director Australia NZ