



Submission to Australian Energy Regulator
Framework and Approach Victorian DNSP 2016-2020
11th April 2014





Date: 11th April 2014

Mr Chris Pattas
General Manager, Networks
Australian Energy Regulator
GPO Box 520
MELBOURNE VIC 3000

Sent: VICElectricity2016@aer.gov.au

SUBJECT: Victorian electricity distribution businesses – Framework and approach 2016-2020

Dear Mr Pattas,

Citelum Australia welcomes the opportunity to provide a submission on whether there needs to be a new Framework and Approach for the Victorian Distribution Network Service Provider.

Citelum agrees with all 5 Energy Distribution Network Service Providers that a new F&A Paper is required.

Citelum contends that public lighting has been extraordinarily complex and still causes an inordinate amount of resource both internally to the DNSP's and externally to other stakeholders including regulatory resources. Considering the challenges the energy sector faces for the future, the question has to be raised, is how does a network service that anecdotally accounts for less than 2% of network revenue account for so much focus and time?

Yet from Citelum's global experience, we believe the complexity and resource strain will only get worse because technological change regarding LED and Smart Controls pertaining to streetlighting is exceeding even the long held perceptions of industry specialists.

The complexity and resources spent has largely been derived much on how councils can upgrade public lighting to meet the changing needs of their communities.

The needs of each community are varied:

- ⊕ Need to reduce energy costs
- ⊕ Age and Demographics of the Community
- ⊕ Need to improve public safety

- ⊖ Reduce Operating Costs
- ⊖ Need to explore contestability to account to ratepayers and taxpayers best value principles

Public lighting is a legacy service provided by DNSP's that will constantly change and the current framework and approach to the services of public lighting will continually place resource pressures both within the DNSP and from a regulatory context.

This focus and effort has largely been consumed on upgrading 80 watt Mercury Vapour fittings to either CFL or T5 fluorescent.

Some councils agreed to ratify improvements to nearly 10 years ago and yet due to the complexities and lack of clarity, the community is yet to see the financial benefit of an efficient public lighting service.

With the introduction of LED, this technology places incredible pressure on the regulated business model. With differing capital input costs, performance attributes and warranty considerations, there will be constant pressure, politically for customers to be able to take advantage of these issues.

Under the current F&A a new OMR would have to be classified and established for each LED luminaire type.

The cost of capital for LED into the business model needs to be considered also. Using the Los Angeles Streetlighting as an example, the rate of technological change presents challenges to the current classifications of public lighting.

	2009	2010	2011	2012	2013
Ave Price	\$432	\$298	\$285	\$245	\$141
Efficacy	42lm/w	61lm/w	72lm/w	81lm/w	96lm/w
Life	80,000 hrs	111,000 hrs	150,000 hrs	150,000 hrs	150,000 hrs
Warranty	5 years	6 years	6 years	7 years	10 years

Using the information in the table above highlights the potential difficulties energy distributors may face in the future and the Australian Energy Regulator in coping with the demands placed on them to continually approve new LED Street lighting technology and how does the regulated business model deal with the reductions in capital expenditure.

Compounding this issue is the efficacy improvement in which the streetlights are able to produce greater light for less wattage meaning that one product of streetlight in the course of 5 years may have 5 different unmetered load profiles, again adding complexity and transaction costs.

This change to new technology is nothing new and other jurisdictions around the world have had to grapple with similar technological changes.

For example in the United Kingdom, it is understood before the development of Smart Controls committee being deployed, the number of devices that filled the Unmetered Load Tables totalled nearly 900 individual devices.

Unless Victoria reconsiders how the regulated framework for public lighting is approached, the complexities and resources attributed to public lighting will only exacerbate greater political calls for change or input that will add further pressures to all stakeholders in public lighting.

Our suggestion would be to the AER to consider within the Framework and Approach process an agreed process first between DNSP's, 3rd Party OMR providers and public lighting customers, represented by either the Streetlight Group of Councils and the Municipal Association of Victoria and individual councils or interested parties to agree on a revised Public Lighting Code, whereby processes are clearly understood and agreed by all stakeholders that would facilitate genuine options for contestability, competition and choice for public lighting services.

We would also suggest that public lighting be classified as Negotiated Services. This will in our opinion at least allow public lighting customers and the DNSP's flexibility in their agreements and provide adequate avenues under Part 10 of the NEL for dispute resolution, something that Alternative Control Services doesn't appear to clearly provide.

If you require any further information, please do not hesitate to contact us on either 1300 CITELUM or info@citelum.com.au

Best Regards,

A handwritten signature in black ink that reads "Adam Carey". The signature is written in a cursive, flowing style.

Adam Carey
Managing Director Australia NZ