



14 August 2015

Mr Chris Pattas
General Manager
Networks (Investment and Pricing)
Australian Energy Regulator
GPO Box 520
Melbourne, VIC 3000

By electronic lodgement

Dear Mr Pattas,

RE: VICTORIAN PUBLIC LIGHTING RECLASSIFICATION

On 3 August 2015, the AER noted its intention to depart from the classification of all dedicated public lighting services as negotiated services. Specifically, the AER set out the unforeseen circumstances which justify departure from the classification published in its final Framework and Approach paper.

In response to this reclassification, please find attached our revised prices for public lighting services. These prices have been developed having regard to the following:

- We provide a high level of service to our public lighting customers, as reflected in our customer satisfaction levels for management of faults and asset management. For example, these services include the following:
 - the introduction of our street light manager application giving councils greater access to our performance data; and
 - we have been progressive in approving LED products and providing public lighting customers with the opportunity to replace older technology with LED products (where approved). For example, mercury vapour, fluorescent T5 and compact fluorescent luminaires are now replaced with LED on failure at the request of public lighting customers.
- Our proposed prices for public lighting services have been largely developed using the AER's public lighting model. We have also undertaken a number of measures to minimise price impacts to our customers. For example, these include the following:
 - we applied previously agreed percentages and unit rates for labour and EPV costs;
 - we negotiate with manufacturers to achieve best prices for bulk lamp and bulk PE cell replacements projects, and reflect these in our forecasts;
 - the current Public Lighting Code requires us to undertake a bulk lamp replacement every four years, and PE cells every eight years. Given the introduction of LED technology, however, we have written to all public lighting customers seeking a variation to this requirement. Our LED prices reflect our proposed change (i.e. our proposed prices for LED lights would be higher if a four year replacement cycle was assumed); and

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- we proposed price reductions for metal halide lamps below 150 watts as this technology has improved, and sufficient quantities are now installed to enable us to reduce and plateau prices.
- Our proposed price increases for the 2016–2020 regulatory control period are driven by a number of factors, including the following:
 - changes to external factors, such as increased requirements for traffic control (particularly for major road lights); and
 - we currently recover our RAB only through non-energy efficient light types. As these costs apply to both energy efficient and non-energy efficient luminaires, however, our proposed prices now share these costs across all light types. This increases prices for energy efficient light types relative to 2015. This redistribution ensures all customers contribute equally, but is also important as the percentage of non-energy efficient lights decreases (i.e. if our RAB was only recovered through non-energy efficient lights, the unit cost for these lights would increase exponentially as the volume of non-energy efficient lights decreases).

If you have any queries regarding this submission please do not hesitate to contact Jeff Anderson on (03) 9683 4809, or janderson@powercor.com.au.

Yours sincerely,



Renate Tirpcou

Manager Regulation, CitiPower and Powercor Australia