

**Contact City of Casey**

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13 July 2015

Mr Craig Madden  
Director – Network Regulation  
Australian Energy Regulator  
GPO Box 520  
MELBOURNE VIC 3001

Dear Mr Madden

**Submission - AER Public Lighting**

I refer to the AER's recent forum on Public Lighting Services and the AER's proposal to split the Public Lighting Asset base to discriminate between lighting assets mounted off DNSP poles from lighting assets on dedicated street lighting poles. It is understood the AER proposal would see a regulated Tariff applied to lights on the DNSP poles and Council would need to negotiate a service agreement with the DNSP for the lights on the dedicate street light poles.

I also refer to my email of 25 June 2015 providing preliminary comments on these matters.

The following is provided as a submission to the AER on these matters noting Council has been unable to fully consider the implications of the AER proposal before the 13 July 2015 deadline for submissions, and would be pleased to provide further information at a later date should the AER wish to provide this opportunity.

As an overview:

- Casey's experience over a number of years with the two DB's servicing our area (AusNet & United Energy) together with my personal experience as a Local Government representative on the Public Lighting Customer Innovation Committee & the Victorian Public Lighting Approvals Board; has been that Local Government as a sector approaches the DBSP's from a position of distinct disadvantage due to the regulated monopoly supply environment.

Council's currently have no bargaining position with which to seek either a better price or a change in service levels as the street light assets are directly controlled by the DBSP's.

Growth Councils could potentially require new estates to separate the lighting assets to a metered supply as was the practice by VicRoads a few years ago for some lighting schemes, however this would then result in an inconsistent lighting asset base, as well as potentially resulting in separate service conduits being placed for the street lights compared to the DBSP power supply.

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The proposal to separate components of the lighting asset base out of the OMR and leave to a negotiated service agreement will not resolve the issues faced by Council in that the DBSP is the only party we can deal with and we cannot force an outcome or alternatively seek a third party provider.

It is understood similar models introduced in South Australia have highlighted the inherent problems faced by Local Government in trying to negotiate a competitive and transparent service price within a regulated monopoly service environment.

- Splitting the asset base between DBSP poles and dedicated street light poles without any further consideration of the ability of Council to seek an open competitive tender for services will not provide any substantive benefit to Council.
- Removal of the regulated oversight of the service pricing should only be considered if this is structured in a way that Council can go to the open market to seek competitive tenders for this service.

This approach is likely to provide benefits for large Council's such as Casey which has over 29,500 non-metered street lights, at the expense of rural and smaller Councils.

- The DBSP concerns regarding opening up access to their assets to 3<sup>rd</sup> party providers is acknowledged. However, precedence is in place for this occurring as a common practice regarding project based upgrades and subdivision construction. Works commonly occur on the DBSP network by pre-registered contractors engaged by Council, VicRoads and developers for a range of activities including:
  - Service relocations and intersection upgrades
  - Public lighting schemes
  - The current bulk conversion of local street lights to energy efficient technology. In Casey this will involve conversion of around 13,000 lights over 3 years using a pre-registered contractor engaged directly by Council through a public tender process. Access to the DBSP assets has been facilitated through an access agreement. (It is noted this agreement was "negotiated" on the basis the DBSP providing a non-negotiable fixed price and terms of conditions.
  - Typically these works are undertaken with the DBSP charging an access or approvals fee.
- Splitting the asset base and deregulating only part of the lighting assets such as the dedicated street lighting poles is likely to introduce inefficiencies as identified at the forum if multiple service providers are driving down the same street to service different lights. If a deregulated option to allow competitive tenders from external service provider were to be considered; it would need to cover the whole street light asset base.
- There may be value in considering splitting the asset base between DBSP poles and dedicated street light poles from the perspective of dealing with non-standard or decorative pole options. Council's currently feel there is an element of double-dipping by the DBSP's with these assets as Council's are required to pay the standard OMR tariff but are also charged the replacement cost for non-standard poles and lights when the unit fails.

Whereas, standard poles and lights are replaced by the DBSP within the same tariff at no extra charge. A more equitable approach may be to remove the "R" component from the tariff for a non-standard pole / light, as Council's are being charged this fee directly by the DBSP anyway.

It is also acknowledged that the DBSP argue the overall effects are smoothed across the full DBSP asset base and individual Council's may not realise benefits if the cost base is brought down to a municipal level. Casey does not have the expertise or data to be able to undertake a full analysis of the implications of separating the "R" from the OMR for non-standard poles.

In summary;

- Council does not support the proposal to split the street light asset base and require Councils to negotiate agreements for the service costs for the dedicated street light poles under a monopoly service provider environment.
- There may be value in considering the separation of the "R" component of the OMR tariff associated with non-standard / decorative street lights noting Casey is not in a position to be able to determine the cost implication of this model.
- There is likely to be cost efficiencies and service benefits for large Councils' such as Casey if the street light asset base controlled by the DBSP's were to be opened up to competitive public tender for servicing. Precedents are already in place where DBSP's allow work to occur on their networks by approved contractors. This typically occurs with the DBSP's charging a supervision / access fee. If this model were to be pursued, the AER would still need to give consideration to what is a reasonable access / supervision fee.

As indicated, Council would be pleased to elaborate on any of the above points should the AER require further clarification.

Any enquiries can be directed through me on telephone 9705 5200 or via email by [p.hamilton@casey.vic.gov.au](mailto:p.hamilton@casey.vic.gov.au)

Yours faithfully



**Paul Hamilton**  
Manager Transport