

Mr Chris Pattas
General Manager Australian Energy Regulator
GPO Box 520
Melbourne Vic 3001

13 July 2015

Our Ref: VS:hm
Precis: AER, PowerCor, Lighting

Dear Mr. Pattas

Re: PROPOSED NEGOTIATED DISTRIBUTION SERVICE CRITERIA

The City of Greater Geelong (the City) would like to make a submission in response to the Australian Energy Regulator's (AER) proposed changes to the criteria for determining charges for dedicated public lighting Operation Maintenance and Replacement Charges. The City is a significant customer of Powercor and has enjoyed a long standing and highly valued relationship with respect to the supply of public lighting services.

Being the representative of the local community on many issues the City is entrusted to make decisions on their behalf. With decisions regarding procurement of Goods and Services, such as supply of public lighting, the City is obliged to demonstrate *Best Value for Money*. An open and transparent competitive tendering process fulfils the expectations of the community and provides the accepted process for delivering value for money. The current proposal from the AER is a significant move towards this *Best Value for Money* outcome.

The City supports the move towards a truly contestable or unclassified method for determining service levels and charges. The City understands that the proposed move from an Alternative Control Method to a Negotiated Control Method for dedicated public lighting is an important step in achieving a truly contestable public lighting service.

Although the City supports the proposed changes it still holds a number of concerns with regard to the process of negotiation. The major concerns that the City has with the Negotiated Control Method for determining the charges associated with dedicated public lighting are as follows:

- Reluctance from Powercor to introduce contracted companies.
- Proposed labour rates. (Powercor rates higher than other Victorian Energy Providers).
- The City of Greater Geelong is unrepresented in the proposed Negotiating Framework.
- Uneven level of common interest in determining best outcome for community, during negotiations.
- Un-costed and untested risk of new charging structure.
- Uneven level of expertise to negotiate in Energy Sector.
- Uneven level of resources for negotiations.
- Fracturing Asset – causing confusion – Dedicated, cost shared, full cost etc.

The City would like to propose that AER independently provide a framework for negotiations with contributions from both the City and Powercor.

The City also understands the following to be accurate:

- The Alternative Control Charge Rate will be applied from January 1, 2016 until or unless a Negotiated Rate can be determined.
- The Negotiated Rate will only take effect from the date of agreement forward.
- The AER will provide arbitration assistance during the negotiation process.
- The AER will remain the primary authority for the regulation of the charges.

The City values the significant contribution that the AER has made in determining the service standards and charges that relate to the Energy Industry thus far and considers the proposed changes a significant step towards contestability. The City looks forward to working with Powercor and the AER during the pricing review period and continues its support in providing quality services to the community.

Thank you for the opportunity to make this submission. Further enquiries can be forwarded to myself or Mr Henry Manzl, Coordinator Project Implementation on telephone 5272 4304 or email hmanzl@geelongcity.vic.gov.au.

Yours sincerely



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