Our ref: 4132/4276597

19 February 2014

Mr Warwick Anderson
General Manager, Network Regulation
Australian Energy Regulatory
GPO Box 3131
CANBERRA ACT 2601

Via email: QLDelectricity2015@aer.gov.au

Dear Sir

FNQROC submission to the Australian Energy Regulator
Preliminary Position Paper F&A for Energex and Ergon Energy Regulatory Control Period commencing 1 July 2015

The Far North Queensland Regional Organisation of Councils (FNQROC) membership includes the Local Government areas of Cairns, Cassowary Coast, Cook, Croydon, Douglas, Hinchinbrook, Mareeba and Tablelands, and the Aboriginal Shire Councils of Wujal Wujal and Yarrabah. Our area covers approximately 250,000 square kilometres and our mandate is to facilitate partnerships, programs and efficiencies across these ten Local Government areas.

FNQROC would like to take this opportunity to thank the Australian Energy Regulator (AER) for its efforts to engage with us in relation to the street lighting issue and for allowing us to make a submission on this important regulatory process.

FNQROC is very keen to ensure our issues are heard by the AER and our Distribution Network Service Provider, as well as any other relevant stakeholders.

Our submission is predominately aimed at street lighting, however some general comments also have been included.

<u>General Comments</u>

We understand there is a push by the Federal Government for the State Government to sell government-owned assets. The reason stated for this is *perceived inefficiencies*. Arguably, providing a revenue cap which is tight will assist Ergon Energy to look for efficiencies but it should not be allowed to be at the expense of the network infrastructure. Areas in our region encounter regular 'brown outs', and economic investment (renewable energy and energy users) is constrained by the network infrastructure.

We believe the return on investment for assets set by AER is currently 9.7%. This is arguably high and should be reconsidered as part of this process.

5638
Phone: 07 4044 3038 • Fax: (07) 4044 3836 • P O Box ~~359~~ Cairns QLD 4870

We also would like to see reflective costs for peak and off peak supported by appropriate meters which can identify the time of usage.

Recommendation:

1. Limit any revenue cap increase.
2. Return on investment for assets be reconsidered at a lower percentage.
3. Reflective costs for peak and off peak supported by appropriate meters which can identify the time of usage.

Street Lighting

In recent years, the FNQROC Sustainability Technical Committee has highlighted improving the energy efficiency of the region's street lights as a top priority. Rising energy costs mean the use of older lighting technology is becoming a financial liability for Local Governments. A conversion to energy efficient technology would result in both economic and environmental savings for Local Governments in the region. Local Governments as consumers have little control over managing the cost of energy for street lights.

We also are acutely aware of the fact that from July 2014, the Alternative Control Service (ACS) charge which covers maintenance charges for public lighting will be reinstated by the State and we will be required to pay for part, if not all, of the maintenance charge.

To help manage or have some control over these costs, we believe there are two key areas requiring attention:

- Service Level Agreements (SLAs)
- Replacement of end of life luminaires with an energy efficient product

Service Level Agreements

As a paying customer, we consider it fair that Ergon Energy be held accountable for the ACS charge via a SLA negotiated with Councils. In this region we are eager to do this as a collective to share knowledge and experience across all councils and the Far North Office of the Department of Transport and Main Roads (FN TMR) to enable a consistent SLA which we are all familiar with. The SLA would establish the necessary maintenance and reporting frameworks which should exist between a customer (FNQROC Councils, FN TMR) and a service provider (Ergon Energy). More importantly, the SLA would provide the foundation for embedding energy efficiency opportunities into normal asset replacement cycles. Ergon Energy has been at the table with us on this issue, however limited action to progress this has occurred to date.

Some of our key issues in relation to service level provision for street lighting services include:

- A detailed breakdown of how the Alternative Control Service Charge is calculated with reassurance that the process has rigor associated with it;
- Clarification of the term 'end-of-life' in relation to street lighting assets;
- A street lighting business and design process that incorporates the ability to adopt new technology as it becomes available;
- Reporting requirements in relation to the provision of pubic lighting services for local government;
- Key performance indicators in relation to maintenance schedules;
- Consideration of capital investment in new technologies.

Recommendation:

4. Ergon Energy be required to develop service level agreements with large customers such as councils.

Energy Efficient Luminaires

Our other option to manage the street lighting costs is through energy efficient luminaires. In this region we have approximately 4,500 mercury vapour luminaires approaching or older than 20 years, and many of these are in discrete clusters. We see this as an opportunity to utilise the former Community Energy Efficiency Program (CEEP) funding to replace these with energy efficient alternatives however we were frustrated with the interpretation of end of life. The interpretations all differed however, all conversations pointed back to AER as the reason we could not take action. It is recommended that end of life be clarified by either the regulator or Ergon Energy.

To pre-empt future debates, it would be beneficial if AER is clear on the ability for Ergon Energy to charge an appropriately reduced rate for new/existing energy efficient luminaires with the ACS being able to reflect any reduced maintenance requirements.

Furthermore, where an Energy Distributor proposes to incorporate research and development costs into their revenue proposal, we would like to ensure that funding allocated is actually applied. Results of any research and development should also be made available to customers where a clear benefit (financial or otherwise) is possible.

Recommendation:

5. AER clarify term 'end of life' – ideally this would be when the luminaire fails or reaches 'x' years (whichever occurs first).
6. Ergon Energy is offered the ability to charge an appropriate lower cost for new/existing energy efficient luminaires with the ACS being able to reflect any reduced maintenance requirements.
7. Energy distributors be accountable for proposed research and development costs included in regulatory submissions.

Once again, FNQROC would like to thank the AER for the additional time it has provided us to discuss this matter in further detail. We look forward to engaging in ongoing opportunities for discourse on this complex matter.

Should you wish to discuss this matter in further detail, please contact Darlene Irvine, Executive Officer on 07 4044 3038 or 0403 808 680.

Yours sincerely

Cr Bill Shannon
Chair, FNQROC