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8 August 2008

Gosford City Council

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Mr M Buckley
General Manager
Network Regulation North Branch
Australian Energy Regulator
GPO Box 3131
CANBERRA ACT 2601

Council Concerns regarding 2009-2014 EnergyAustralia - Public Lighting Pricing Proposal

Dear Mr Buckley

It is with concern that Gosford Council has noted EnergyAustralia's recent proposal to the Australian Energy Regulator (AER) for a 38.6% real increase in capital and maintenance charges for public lighting over the next 5 years (eg 2009-2014 regulatory period) and a 90.2% real increase in network distribution charges for public lighting over the same period. These proposed increases follow very significant increases in capital and maintenance charges totalling some 40% since 2005.

Gosford City Council asks that the AER consider the following key principles in its pricing review:

1 Pricing Based on an Efficient Cost of Service

Gosford Council strongly welcomes the AER's recent comments at its 30 July public forum that pricing is to be fair and reasonable, reflecting the efficient cost of service. There is significant concern that EnergyAustralia's cost of service for public lighting is insupportably high. In particular, in this and other recent EnergyAustralia price proposals, there are large and unsupported EnergyAustralia component price movements, unexplained differences between the pricing for key light types and significant gaps when benchmarking EnergyAustralia pricing against other utilities.

A key example of the above is current EnergyAustralia proposals on the pricing for new energy efficient lighting.

Underlining the importance of pricing being no higher than warranted is the difficulty for Gosford City Council in managing large increases under NSW rate capping. In this context, we note in particular the large first year increase in capital and maintenance charges proposed by EnergyAustralia of 11% plus CPI.

2 Link Between Price and Service Level

Street lighting is a monopoly service of NSW electricity distributors yet there are no contracts, no binding service regulation and there has been ineffective regulatory oversight of pricing to date.

In recent years, there has thus been no clear recourse for non-compliance with the voluntary Public Lighting Code, inappropriate investment in lighting types not supported by Councils and unwarranted delays and obstacles to the timely adoption of energy efficient lighting.

Councils are in an untenable position of having responsibility for the safety, security, energy, greenhouse gas emissions and costs of lighting, but have no meaningful control over key aspects of the service provided.

While Gosford City Council recognises that the regulatory framework is not under the control of the AER, it is important to note that there cannot be confidence in pricing decisions unless there is clarity on what the price is for.

3 Transparency and Timely Information Provision

Gosford City Council strongly welcomes the AER's recent comments at its 30 July Public Forum concerning the importance of transparency and the acknowledgement of the significant information asymmetry in the review of public lighting price proposals.

Unfortunately, as of 5 August 2008, EnergyAustralia had yet to provide underlying Cost-to-Serve modelling to this Council.

While Gosford City Council appreciates that the AER is bound to meet a number of pricing review timetable provisions, it is unreasonable to expect meaningful input from stakeholders without full information disclosure within a reasonable review timeframe. To bring confidence in the pricing regime, it is essential that pricing reviews be based on clear, timely and open disclosure of cost analyses that are then properly benchmarked.

Gosford City Council is one of 34 Councils participating in the SSROC Street Lighting Improvement (SLI) Program. The SLI Program will be making a detailed submission and I ask that the general issues that have been raised in this submission and the more detailed issues being raised in the SLI Program submission receive careful consideration.

For any questions about this letter, please contact Council's Engineering Investigations Co-ordinator, Ms Margie Azmi on 4325 8925.

Yours faithfully



Peter Wilson
General Manager

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CONSUMER COMMISSION
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