

⇒ John Skinne

LEETON SHIRE COUNCIL

Preserving the Past, Enhancing the Future

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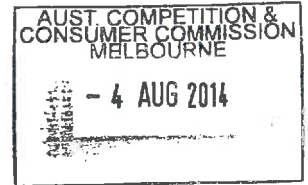
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28 July 2014

Australian Energy Regulator
GPO Box 520
Melbourne VIC 3001

FILE No:
DOC: 014/102917
MARS/PRISM:



Dear Sir / Madam,

Submission – Leeton Shire Council - NSW and TAS electricity distribution and transmission revenue proposals 2014-19

I refer to the recent review of the NSW and Tasmanian electricity distribution and transmission proposals for 2014-19 and the call for submissions into these proposals which close on the 8 August 2014.

Leeton Shire Council is a medium size rural Council located in the south west of NSW. Our current provider of street lighting infrastructure is Essential Energy who have made a submission to the Australian Energy Regulator (AER) to increase the annual cost charged to Leeton Shire Council from \$78,435 in the current 2014/15 financial year to \$157,912 in the 2015/16 financial year. This represents an increase of over 100%.

Leeton Shire Council is extremely disappointed that Essential Energy have requested such a significant increase be approved without any consultation with Leeton Shire Council. An increase of this magnitude will have a significant impact on Leeton Shire Council's annual operating plan and will result in a reduction in our ability to maintain and service other community assets that our town views as critical. It will require a redirection of funds from areas such as playground repairs, road maintenance and road upgrades to continue the current level of street lighting in place around Leeton.

Under Council's financial planning process (Integrated Plan) Council is required to put forward estimates of 10 years to the Leeton Community and hold extensive public consultation to ensure Council resources are being directed into the areas that the community deem as important. To be "blindsided" by a proposed increase that will cost Council an additional \$800,000 over this ten year horizon is both unworkable and well outside what would be deemed acceptable in any commercial arrangement.

The increase by Essential Energy raises a number of questions which Council believes need clarification prior to any submission being reviewed by the AER. These are:

1) Corporate Overheads

The proposal by Essential Energy proposes an increase in Dividend and Corporate Overhead from a rate of 0% to 41.25%. Does this mean that 41.25% of all the Corporate Overhead that is generated by Essential Energy is distributed to the Street Lighting infrastructure section of their business? If so, this seems incredibly high as Essential Energy recorded operating revenue of \$2,164,000,000 (2012/13 Annual

Report) with income generated from street lighting per Essential Energy submission for the 2014/15 financial year being \$9,301,920. This equates to 0.4% of the revenue generated by Essential Energy. For the street lighting section of the business to incur a corporate overhead charge of 41.25% seems hard to comprehend.

2) Bulk Lamp Replacement Frequency (Years)

The submission outlines that Essential Energy are aiming to reduce the frequency for the replacement of bulk lamps from a period of every four years down to 3. The questions that arises is that with the improvements in efficiency in new lighting technologies why would there be a need to increase the frequency of these replacements. This seems contradictory to what has been reported before.

Council thanks the AER for considering Council's submission into Essential Energy's proposal. Please feel free to call me on (02) 6953 0911 if any further information is required in relation to the above.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Duncan McWhirter', written in a cursive style.

Duncan McWhirter
Director of Corporate Services