

10th August 2018



Mr Sebastian Roberts
General Manager, Networks
Australian Energy Regulator
GPO Box 520
Melbourne VIC 3001

Dear Mr Roberts,

Endeavour Energy - Determination 2019-24

Thank you for the opportunity to provide feedback on the proposed regulatory proposal by Endeavour Energy for 2019-24.

Lithgow City Council has been working collaboratively with other councils in the Greater Western Sydney region and the Western Sydney Regional Organisation of Councils (WSROC) in formulating a response to the Endeavour Energy Electricity Distribution Price Review (EDPR). Council supports the submission as submitted by WSROC and asks the AER to consider the issues raised.

Note that the submission does not provide a comprehensive review of all elements of the proposed EDPR, rather it provides a summary of key areas for improvement that relate to proposed Price Review and more broadly to the Strategic Plans of Endeavour over the coming 5-year period.

The recommendations should be considered in light of Council's collaborative relationship with Endeavour Energy and Council sees this process as an opportunity to document existing views on strategic opportunities for collaboration as well as for comment on specific areas where improvement or clarification on pricing is sought.

The below provides a brief overview of key issues raised as part of the WSROC regional submission:

Issue	Recommendation
Western Sydney Energy demand	
Electricity infrastructure planning Western Sydney is growing rapidly, with an additional 1 million people expected to settle in the region by 2036. A new airport will further facilitate rapid development. The region's electricity infrastructure planning should take into account this future long term growth.	<ul style="list-style-type: none">That Endeavour be requested to develop appropriate strategic investment planning and liaise with Local and State government to ensure that development approaches are implemented that lead to significant downward pressure on electricity distribution prices over the coming 20 years.

Renewable energy	
Solar and storage Council would like to see Better clarity over the planned expansion pathways for renewable energy technologies. Local governments have a widespread interest in understanding how to facilitate broader uptake of these solutions, but to date it is unclear how the various trial programs that Endeavour has participated in around solar, batteries, and demand response will be scaled in a way that delivers meaningful transitions across the electricity network.	<ul style="list-style-type: none"> • That Endeavour provides strategic clarity around the pathways by which current trials can lead to systemic improvements for customers from solar and storage. That Endeavour collaborate with local governments to support the development and implementation of these strategies.
Electric vehicles The predictions that Endeavour uses for the impacts of electric vehicles (EVs) is in line with the ‘no interventions’ scenario modelled by ARENA1. We would recommend that modelling should at least accommodate a range that accommodates more ambitious inclusion of these vehicles, if only to better understand the types of synergies and opportunities that would be presented under such circumstances.	<ul style="list-style-type: none"> • That Endeavour Energy considers a broader range of projections from the ARENA EV Market Study report. That these plans be used to work strategically with other stakeholders, including local government to improve the strategic planning outcomes for communities.
Demand management	
Concerns over complexity of tariffs Introducing seasonal peak demand tariffs is a great outcome for improving the performance of the network, however customers will need adequate support to understand the tariff and be able to effectively use it.	<ul style="list-style-type: none"> • Endeavour plan within this EDPR period to play a leading role in facilitating this information being made available, liaising with energy retailers where necessary so that they are prepared and can be consistent in providing effective communication; • Endeavour commit to reviewing and reporting on customer engagement methods at least annually to assess if the required capacity/understanding within relevant consumers is being delivered in order to benefit from the peak demand information and tariffs in practice; • Endeavour collaborate with other stakeholder, including retailers and local governments to ensure cohesive communication across stakeholders occurs.
Public Lighting	
Transparency of costs Public Lighting maintenance costs are completely non-transparent and as such no comments on the real maintenance activities can be made.	<ul style="list-style-type: none"> • That a fully transparent public lighting cost model be provided to customers. However, in the absence of this we recommend councils avail themselves of the formal processes through the AER to have this detail provided². • That the AER consider and report to customers on how Endeavour can be considered different to the

¹ <https://arena.gov.au/assets/2018/06/australian-ev-market-study-report.pdf>

• ² <https://www.aer.gov.au/networks-pipelines/determinations-access-arrangements/endeavour-energy-determination-2019-24/proposal#step-59353>

	many DNSPs which provide transparent pricing.
<p>Benchmarking of 17W LED maintenance costs Benchmarking of the 17W LED (Gerard Street LED Mark II), which has been approved by many Australian DNSPs shows Endeavour maintenance pricing for LEDs is 67% above that of comparable jurisdictions on current pricing. It shows that LED maintenance LED is not cost reflective.</p>	<ul style="list-style-type: none"> • The basis of the maintenance pricing be released for comment to customers; • That benchmarking of overall tariff pricing with other jurisdictions be used to determine if pricing is efficient.
<p>Cost of capital Endeavour have included a nominal vanilla WACC of 6.11% (See worksheet "Tax recovery rate"). This rate is an important component of the overall pricing.</p>	<ul style="list-style-type: none"> • That the AER provide detailed economic review of this rate in order to ensure these numbers are reasonable. •
<p>CPI CPI assumptions used for the RAB assumes a 2.5% CPI escalation rate over the price determination period. For customers a process whereby the relevant CPI effects pricing only is required. For example the average quarterly rate in the three years to July 2018 is 1.667%</p>	<ul style="list-style-type: none"> • That the AER reviews all CPI inputs and ensures they represent a fair impact on pricing for customers
<p>Life of LEDs Of the seven DNSPs that we are aware of that have approved LEDs as standard lighting products only Endeavour does not use the 20 years period for the life of these assets.</p>	<ul style="list-style-type: none"> • Alter the LED life to 20 years to be in line with all other products, the manufacturer of the products used by Endeavour and seven other DNSPs where this value is known. This will reduce the annuity charges to Councils to LED lighting.

Should you have any questions regarding this letter, please do not hesitate to contact me.

Yours sincerely,



Graeme Faulkner
GENERAL MANAGER