

16 May 2018

Mr Chris Pattas
General Manager, Networks
Australian Energy Regulator
GPO Box 520
Melbourne VIC 3001

Sent by email to: NTPowerWater2019@aer.gov.au

Dear Mr Pattas

POWER AND WATER CORPORATION'S 2019-2024 PROPOSAL FOR ELECTRICITY NETWORK DISTRIBUTION PRICING

This submission comprises the response from the Local Government Association of the Northern Territory (LGANT) on behalf of local government in the Northern Territory to the Australian Energy Regulator about the above proposal from the Power and Water Corporation ('the Corporation').

The submission focuses specifically on the issue of the Corporation's proposed approach to unmetered electricity supply for street lights in the Northern Territory.

LGANT is the peak body representing the interests of, and providing a voice for, five municipal, three shire and nine regional councils in the Northern Territory. LGANT coordinates activities on behalf of the local government sector as well as performing functions for other spheres of government that are designed to enhance the capacity of local government in the Northern Territory.

Many Northern Territory councils took ownership and full responsibility for the operation of street lights from 1 January 2018. However, the Corporation records the street lights as:

- part of the Corporation's distribution assets
- being directly connected to the Corporation's electricity supply.

While ownership of streetlights has transferred to councils they remain almost entirely unmetered with retail electricity loads being deemed based on electricity consumption bands established by an Electricity Pricing Order (NT).

The current Electricity Pricing Order for 2017-18 classifies street lighting energy consumption in six bands in Section 8 which appear to be based on an underlying retail energy price of approximately 36.5c/kWh. This is amongst the highest electricity pricing for largely off-peak load in the National Electricity Market. Councils are therefore particularly concerned about proposals that:

- raise underlying wholesale pricing
- create disincentives to deploy new energy efficient technology that can successfully cut energy consumption.

Councils are concerned the Corporation's proposal appears to raise underlying network distribution pricing for street lighting and, albeit inadvertently, creates a structural disincentive for both future energy efficiency and a barrier to the deployment of smart controls and smart city devices.

There are three matters that are relevant in this context:

1. Council Concern About Proposed 11% Price Increases

Power & Water Corporation's Regulatory Proposal (16 March 2018) proposes unmetered tariffs in Table 21-3 (p143) as follows:

<i>Unmetered Supply</i>	<i>(\$/W)</i>
Unmetered supply 12hr operation	0.268
Unmetered supply 12-24hr operation	0.614

For a typical 80W mercury vapour luminaire using a total of 95.8W (as per AEMO National Electricity Market Load Tables for Unmetered Connection Points), the annual fee based on the proposed approach would be \$25.67 per year (excl GST). Based on 4350 operating hours per year, this appears to be an increase of some 11% compared to current Power & Water public lighting tariffs which in 2017/18 are based on a tariff of 5.497c/kWh (see Schedule C on page 16 of the Corporation's 2017-18 Electricity Network Tariffs and Charges).

Councils' concern is that an underlying wholesale price increase of 11% compared to current tariffs will inevitably be passed through to retail tariffs. The Corporation has not made a case for such a price increase for unmetered supply to public lighting and such a proposal appears wholly inconsistent with other customer classes where pricing is generally proposed to decline modestly (as summarised in the Corporation's Regulatory Proposal (16 March 2018) pages 6-7).

2. Elimination of Energy Efficiency Incentive

The Corporation's Regulatory Proposal (16 March 2018) proposes unmetered tariffs in Table 21-3 (p143) that are a fixed annual charge based on the maximum consumption of the load installed as measured in dollars per year per installed Watt. This proposal by the Corporation is a move away from its current approach of pricing unmetered supply for street lighting based on setting a price per kWh of electricity consumed (see Section C page 16 of the Corporation's 2017-18 Electricity Network Tariffs and Charges).

Councils' concern is that this proposal sets up a system that would have an in-built disincentive for future energy efficiency involving all types of smart controls which can be used to dim lighting in off-peak hours, trim excess lighting and provide constant light output control to eliminate over-lighting. Under a system based on maximum device consumption, there would be no customer benefit for flowing through from a wholesale level for future energy efficiency initiatives involving dimming, trimming or constant light output controls.

Such a change, as proposed by the Corporation, provides an extremely poor energy efficiency signal at a time that such smart controls systems are starting to be deployed. LGANT notes in this context that the Corporation already has a trial of such a smart controls system underway with Katherine Town Council and that the City of Darwin, City of Palmerston and Litchfield Council are engaged in a joint smart controls procurement process. **This is thus an important current issue where most Northern Territory street lights are likely to be operated by smart controls before the end of the 2019-2024 regulatory period.**

3. **Concern Over 12 Hour vs 24 Hour Tariff Structure**

As noted above, the Corporation has proposed a two-tier pricing approach for unmetered supply based on either a 12-hour tariff or a 24-hour tariff. There is no further detail in the Corporation's proposal about how these tariffs would be applied, particularly when installations are a hybrid mix of night-time only and 24-hour devices. Two items of concern are noted in this context:

- While it is assumed that street lighting might currently fit into the 12-hour tariff and be based on the loads in the AEMO National Electricity Market Load Tables for Unmetered Connection Points, this is unstated in the Power & Water Corporation proposal.
- As smart controls and smart city devices are added to street lights, they need to move to a 24-hour power supply and the maximum consumption at each luminaire will go up by a few Watts though total consumption is likely to come down. Under the flat tariff approach proposed by Power & Water Corporation, the question then becomes whether the councils would be charged the 24-hour tariff for the luminaire (operating at night only), the smart controls (operating 24 hours a day) and any smart city devices (likely to be operating on an intermittent basis).

The Corporation has informally suggested to the Cities of Darwin and Palmerston that the luminaire would be charged under the 12-hour tariff and the smart controls under the 24-hour tariff but this is again unstated in the Corporation's proposal.

Councils have noted that such an approach would still not provide any customer benefits from energy efficiency measures and further, may inadvertently introduce perverse disincentives for the adoption of smart controls and smart city devices.

One major concern that LGANT has with the current proposal is that if technology changes and it becomes possible for the street lights to be metered (even to the extent that councils can determine the amount of actual wattage used) that there needs to be flexibility in the pricing arrangements. They cannot be fixed for the four year term from 2019-2024 and if are going to be it will be unfair.

LGANT and Councils contend that items 2 and 3 above can be fully addressed by leaving wholesale pricing for street lighting on a c/kWh basis as it currently is charged. As per Section 8 item (2) of the Electricity Pricing Order (NT), the onus then rests with councils to adequately document their inventories of devices and evidence consumption.

LGANT and Northern Territory councils welcome an open discussion with the Australian Energy Regulator and the Corporation on approaches for addressing the above matters in the pricing review. I remain happy to speak to either party at any point.

Yours sincerely

A handwritten signature in black ink, appearing to read 'T Tapsell', written over a horizontal dashed line.

Tony Tapsell
Chief Executive Officer

Cc: *NT Councils*
Jim McKay, Chief Engineer, Power Networks, Power & Water Corporation
Jodi Triggs, Senior Executive Manager Network Regulation and Commercial, Power & Water Corporation