



19 February 2014

Mr Warwick Anderson  
General Manager – Network Regulation  
Australian Energy Regulator  
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CANBERRA ACT 2601

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Dear Mr Anderson

Thank you for the opportunity to provide a submission as part of the Australian Energy Regulator's (the Regulator) consultation regarding the Framework and Approach (for Energex and Ergon Energy) for the 2015-2020 regulatory control period.

### ***Preliminary Classification***

With regards to the Regulator's preliminary classification of distribution services, the Local Government Association of Queensland (LGAQ) supports the view that these services remain under Direct Control for the next regulatory control period. Local governments are simply not in a position to negotiate prices according to a framework established by the rules (with arbitration by the Regulator where necessary) due to capacity constraints. In South-East Queensland (a forced contestable market for street lights), 10 of the 12 local governments and the Department of Transport & Main Roads currently manage their electricity purchasing arrangements through Local Buy. While there are collective purchasing benefits in this arrangement, it is also a reflection of the requirement for dedicated resources which the majority of councils throughout Queensland do not have.

LGAQ has significant concerns in relation to the implementation of contestable metering. For their distribution area, Energex currently require a contestable metering agreement before a National Meter Identifier (NMI) (which they estimate will be classified as large) is energised. LGAQ believes this is fundamentally flawed because electricity industry estimates can vary widely. Therefore, it is suggested that the metering for both large and small sites be under a default arrangement for the first six months so that metering issues do not hold up the process of connection of power. Then after the initial six month period, actual kWh consumption data has been obtained the NMI can be properly classified based on data rather than estimates. Examples of these issues can be provided upon request. Once the NMI is properly classified, then and only then, should the issue of contestable metering be considered for NMIs subsequently classified as large.

In addition it is suggested that when the distribution entities pursue the forced introduction of a mandatory demand tariff for Standard Asset Customer sites (based on kW or kVA), then the distribution entities should bear the whole costs of the new metering including initial supply, installation, commissioning and also the full costs of any associated upgrade of the switchboard.

### ***Street lighting***

The Alternate Control Service (ACS) charges for streetlights in South-East Queensland (i.e. Energex area) are not subsidised whereas the ACS charges for streetlights in the Ergon distribution area currently are. The LGAQ remains extremely concerned that the N(network)+R(retail) approach will have very high cost increases for councils' streetlights in



the Ergon area similar to what happened in 2008 when the subsidy for ACS charges were removed for streetlights in the Energex area. Our initial calculations suggest that street lighting retail consumption charges would increase by approximately 14% (assuming no ACS charge allocation to councils) based upon the Queensland Competition Authority's draft determination for 2014/15.

Further to these cost increases, costs to councils in the Ergon Energy area will increase from 1 July 2014 with an initial pass through of 10 per cent of the ACS charge following the Queensland Government's decision to accept the recommendations of the Interdepartmental Committee on Electricity Reforms. The LGAQ will make representations to the Queensland Government to ensure that a price path (for the remaining 90 per cent) is sensible (unlike in previous years in the Energex area) and limits short-term impacts on local government budgets and the provision of essential community services.

***Ongoing consultation***

LGAQ very much appreciates the level of consultation undertaken by the AER, and in particular the continuing dialogue now underway, especially in relation to street lighting. We look forward to working with the Regulator throughout the regulatory determination period.

If you have any questions or further details in relation to the above submission, please do not hesitate to contact either myself or Michael Fullelove, Category Manager – Energy, Local Buy, on (07) 3000 2122 or at [mfullelove@localbuy.net.au](mailto:mfullelove@localbuy.net.au).

Yours sincerely

A handwritten signature in black ink, appearing to read 'S. Tallent' or similar, written over a horizontal line.

 Greg Hoffman PSM  
GENERAL MANAGER – ADVOCACY

cc: Michael Fullelove, Category Manager – Energy, Local Buy