Attachment A: Current NSW Shared Asset Arrangements (by category)

There are numerous shared asset arrangements in place amongst NSPs. This attachment seeks to summarise and generalise these arrangements into categories. It should be noted that this is not an exhaustive or authoritative list of arrangements but merely an indicative listing.

Broadly speaking the economics of all the below arrangements have been established with the view of least community cost as the driver. The rationale behind this outcome historically was based on a sense of community service but more recently as a consequence of Federal Government Policy and Legislation, such as the December 2011 amendments to the Telecommunications Act 1997.

In the context of the current regulatory debate regarding the sharing of costs or benefits, this policy framework recognised the high degree of concurrence (either direct or indirect) between electricity customers and the users of these other services. These benefits should therefore be considered when determining the services or arrangements where the cost sharing arrangements of the shared asset guideline should be applied.

1/ Community benefit Shared Arrangements

Such arrangements are not generally formalised and are most likely legacy arrangements from the time when Electricity Distribution Services were the function of Municipal Councils.

These include but are not limited to displaying the following items on our poles or other assets:

- Street Signs, Pedestrian and Traffic advice signs.
- Community service centre information and notices.
- Bus stop notices and route information and advice.
- Water utility system information.
- Community celebration decorative bunting & signs, etc.
- Traffic Signal Lights

The Network Operator incurs a small marginal cost associated with the management of these services usually at the time of pole change over and to a lesser extent for some maintenance activities. However, compensation is not sought or paid for these community benefits and the party for whom the service is provided derives an avoided cost benefit as a consequence of not having to provide their own support structures for the delivery of these services. The costs that would be incurred in attempting to quantify any marginal cost and to manage any billing of such services would be disproportionate to the benefits.

2/ Reciprocal Shared Services

These refer to arrangements such as joint use poles, common use and similar arrangements, for which there is no cost recovery between the parties. These arrangements are where Utilities such as a NSW Network Operator and a Telco have a reciprocal arrangement with one another for the use of each other's assets. Typically this would mean each of the entities may utilise the capacity of the others poles where the structure is suitable.

As with Community benefit arrangements the rationale behind such agreements has been to achieve efficiency in the delivery of a community service or Utility and not needlessly duplicate infrastructure costs to the community when suitable infrastructure is already in place.

As with Community services, reciprocal services result in costs to the shared assets greater than those that would result if the asset was not being shared. These are however ignored due to the reciprocity of the arrangement. The net costs therefore being assessed as lower for both parties than would otherwise result if both had to provide their own assets in lieu of this arrangement.

3/ Night Watch/EnergyLight (Private Flood lights) Shared Services

This shared service is a lighting service outside of the Alternative Control Service of Public Lighting. The amenity provided is typically for the benefit of the single customer requiring the service usually for security purposes.

The service in NSW is a bundled rate, inclusive of OPEX and CAPEX associated with the dedicated hardware provided, a specific NUoS component, a bundled energy component plus a profit margin all charged in a single rate to customers for the type of illumination service provided. The profit margin is set based on customer willingness to pay for the bundled services, there being a great variety of alternatives available to the customer for the provision of lighting and/or security services.

4/ Telecommunications services other than Joint or Common Use Shared Services (Telecommunications Act 1997)

These services have come about post the assention of the Telecommunications Act 1997 (**the Act**) and its subsequent amendments. The Act conveys current and past Federal Government Policy to facilitate competition in the Telecommunications Industry and expedite the rollout of infrastructure. It has bestowed special powers upon Telecommunications Carriers over Public and Private parties with respect to their land and asset tenure rights and compensation requirements.

Specifically, Schedule 3 of the Act provides rights for Telecommunications carriers to enter land to inspect, maintain and install certain types of facilities. This includes land and assets owned by Electricity Network Operators. These rights apply to ‘Low Impact Facilities’ as designated by the Telecommunications (Low-Impact Facilities) Determination 1997 (**the determination**). These types of facilities are considered to be essential infrastructure with low visual or disruptive impact to the community in installation and operation.

Schedule 3 of the Act also specifies the Network Operator is entitled to recover the demonstrable loss and damage incurred from the carrier exercising such immunities and powers. If an appropriate amount of compensation cannot be agreed upon the amount is determined by the courts. This Act may lead to the telecommunications customers paying less than the marginal cost of using the electrical asset as many of these costs are difficult to itemise or are of an indirect nature.

The determination and Telecommunications Regulations 2001 were amended in December 2011 to account for the National Broadband Network (NBN) facilities and rollout. The changes specifically increased NBN Co Ltd (and other comparable carriers) powers to deploy fibre in the street, connect premises and locate equipment in multi-unit buildings. A further amendment was made to the determination in 2012 to include ancillary facilities needed to support the operation of a low-impact facility.

A number of operating agreements currently exist between Telecommunications carriers and Network Operators influenced by the terms of the prevailing legislation of the time and as current. The terms and arrangements of these agreements reflect the significant powers and immunities of the carriers. Such arrangements are generally established without any triggers for renegotiation of the costs or charges recovered from Telecommunications Carriers.

5/ Shared Assets with other Utilities

Such arrangements include assets that may be on the border of two Network Operator franchise areas and where system integration and interfaces between Industry parties lead to an economy in using another industry party's assets. These are typically reciprocal arrangements aimed at avoiding asset duplication and avoidable business and therefore customer cost.

Use of unrelated industry parties assets such as bridges and tunnels also occurs where the Network Operator derives a benefit through the installation and use of another parties infrastructure to support the installation and Electricity Network Infrastructure.

6/ Shared Trenching

Shared trenching is where other utilities such as Gas and Telecommunications services derive benefit from the use of trenches excavated for the purpose of Electricity Network infrastructure installation. Shared trenching takes place at the time of initial development and services installation at a development site. Reciprocal arrangements do not operate in this instance as the rationale behind the arrangement is that Electricity assets pose the greatest risk to the public, consequently Electricity infrastructure is always installed at a greater depth to mitigate the likelihood of inadvertent contact.

These arrangements permit the other utilities to share in the excavation and reinstatement benefit following the installation of the electricity assets, thus enjoying the benefit of lower excavation costs and therefore resulting in lower total costs for the underground infrastructure at the location and lower community costs.

Due to the commonality of development and deployment such services will have a high degree of concurrence between the beneficiaries as the users of the electricity network assets will also have the equal access to the other services and therefore the benefits of such arrangements are directly attributed to the users of the electricity network.

7/ Advertising

Advertising arrangements exist on a fee for use basis and involve displaying advertising material on poles or other assets. These services require the approval of the Local Council who have planning control over public advertising. Advertising covered by these arrangements is typically limited to corporate advertising and does not extend to local or community advertising of Public events or celebrations. These latter situations being covered as community services at no fee, though recovery of service direct costs if required would typically be recovered at cost.

It should be noted that there is virtually no use of this opportunity is taken up by customers legitimately. Nearly all advertising commonly seen on power poles is illegal and installed without either the Network Operator's permission or the Local councils' permission. Posters directly applied to timber poles are removed when maintenance crews are in attendance as they promote termite and other pole deterioration phenomenon due to their propensity to create moist dark environments close to the pole surface.

8/ **Competitive Services**

Competitive services are non-unique services that typically align strongly with the core capabilities of the Network Operator. Rates are set to cover average service costs with a margin arrived at to achieve competitive pricing. These services may involve the sharing of assets such as depots, buildings, vehicles and IT systems. These costs are dealt with appropriately via the established regulatory cost allocation methodology. However, it is suggested as per the ENA submission, that the Shared Asset Guidelines focus on access arrangements to ensure non-material services such as this are excluded.

Such services include; electrician services for domestic and commercial clients; energy advisory services (non-community service); competitively won contestable infrastructure works under the NSW contestability regime; Infrastructure construction and maintenance services for other network operators as well as private operators of electricity networks or high voltage customers.