



12 February 2015

Refers to:
SF 12/9706

Mr Warwick Anderson
General Manager
Australian Energy Regulator
GPO Box 313
CANBERRA ACT 2601

Via email: NSWACT@aer.gov.au

Dear Mr Anderson

Essential Energy - Substantive Regulatory Proposal for Increases in Street Lighting Charges

Thank you for the opportunity to make a submission in relation to the Australian Energy Regulator's determination on Essential Energy's proposal for increases in street lighting charges.

Port Macquarie-Hastings Council ("Council") pays for the operation and maintenance of more than 6,600 street lights installed around public roads of the region. Council's annual costs associated with these street lights is in the order of \$1 million, with half of this being the Street Lighting Use Of System (SLUOS) charge to Essential Energy. This represents a sizeable proportion of Council's annual operating budget.

If Essential Energy's Revised Regulatory Proposal dated 20 January 2015 was approved, it is estimated that Council's street lighting charges would increase by approximately 80% or \$400,000 in the first year. Additional costs for street lighting will divert much needed funds from other community infrastructure and services, or may result in street lights being turned off.

AER benchmarking has demonstrated that Essential Energy is inefficient in the operation of its street lighting business. For example, Councils across NSW have long been pushing for the installation of LED lights which are more energy efficient, last longer and have lower maintenance costs than traditional street lights. Unfortunately, Essential Energy has been largely resistant to such a move, apart from a small-scale trial, despite the worldwide implementation of this accepted technology.

It is not considered appropriate that an authority could consider such a major price increase for an essential service without this increase being complemented by measures to improve service levels. If the request for price increase as it currently stands was granted, it would have the affect of entrenching the current inefficiency in the street lighting business activities.

The lack of consultation on this issue has been disappointing, considering Councils limited capacity to fund such increases and without any assessment of affordability having been undertaken.

Local government is heavily scrutinised when it comes to any proposed increase in rates and the community's capacity to pay, noting that there needs to be broad community support for such increases. It is pleasing that the AER appears to be applying a level of scrutiny with regard to street lighting charges.

In summary, we believe that the proposed increases for street lighting charges are an unreasonable impost on local government and appeal to the AER to consider the financially constrained position of local government and the lack of transparency in this process.

We therefore request that the AER adopts their Draft Decision of November 2014 and rejects Essential Energy's subsequent submission. It would also be considered appropriate if the AER were able to ensure future operational efficiencies within Essential Energy such as progressing the installation of LED lighting.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Craig Swift-McNair', written over the printed name below.

Craig Swift-McNair
General Manager