

Preliminary positions on replacement framework and approach (for consultation)

Submission by

Streetlight Group of Councils

Prepared by



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July 2014

IMPORTANT Notice

Due to time constraints we have not attached any documents referred to in our submission.

If required by the AER, these documents will be made available to the AER upon request.

Importantly, these documents are to be accepted as forming part of our submission irrespective of whether they are requested by the AER.

Foreword

The Street Lighting Group of Councils (the Group, SGC) welcomes the AER's Preliminary positions on replacement framework and approach (the **Paper**) and the opportunity to participate in the regulatory process for Regulatory control period commencing 1 January 2016.

The Group trusts our Submission and the issues we have raised will assist the AER in establishing a framework in Victoria that will enable public lighting users to pay fair and reasonable charges for public lighting services for the period and development of the sector.

This Submission has been prepared by Trans Tasman Energy Group (TTEG), to represent the combined interests of Streetlight Group member Councils (Attachment A). The views expressed are those of the authors and do not necessarily represent the views of any individual council.

The Streetlight Group

The Streetlight Group of Councils represents Victorian rural and metropolitan Municipalities, responsible for managing approximately 50% of the public lights in the State.

The Group was formed in December 2002 in the founding member Councils' recognition that their unresolved issues regarding Public Lighting OMR with DNSPs would best be resolved by a unified approach. Imbalances of market power between individual Councils and Distribution Network Service Providers (DNSPs) were preventing negotiation in good faith.

According to their public mandate and statutory empowerment the Groups' member Council's obligations are to deliver balanced economic, social and environmental outcomes, in the public interest of their constituents.

In working in the Victorian Public Lighting sector for that past decade the Streetlight Group member Councils are the most knowledgeable in the Local Government Sector in terms of commercial and regulatory aspects pertaining to Public Lighting.

TTEG Consultants

Trans Tasman Energy Group Consultants (TTEG) has prepared this Submission for the Streetlight Group of Councils. TTEG Consultants (www.tteg.com.au), provide specialist energy sector advice including commercial and regulatory aspects pertaining to Public Lighting.

Further Assistance

The ESC is invited to seek further comments on any points in this Submission from:

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GLOSSARY

ACCC	Australian Competition and Consumer Commission
AEMO	Australian Energy Market Operator
AER	Australian Energy Regulator
CAPEX	Capital expenditure
Code	Public Lighting Code, 2005 Victoria
DNSP	Distribution Network Service Provider
EDPD	Electricity Distribution Price Determination
EDPR	Electricity Distribution Price Review
ESCV	Essential Services Commission, Victoria
ESCOSA	Essential Services Commission of South Australia
M	Public Lighting Maintenance
MAV	Municipal Association of Victoria
MDA	Meter Data Agent
NER	National Electricity Rules
O	Public Lighting Operation
O&M	Public Lighting Operation and Maintenance
OMR	Operation, Maintenance, Repair and Replacement (of Public Lights)
Paper	AER Preliminary positions on replacement framework and approach (for consultation), May2014
PLC	Public Lighting Code, Victoria
R	Public Lighting Replacement
RAB	Regulatory Asset Base
SECV	State Electricity Commission Victoria
SGC	Streetlight Group of Councils
SLUoS	Streetlight Use of System, the NSW and SA equivalent of OMR
SPA	SP - Ausnet
TTEG	Trans Tasman Energy Group Consultants
WDV	Written Down Value (of assets retired before their full life)

1 SUMMARY and RECOMENDATIONS

This Submission by the Streetlight Group of Councils (the Group, SLG¹) is provided to the AER in response to its Preliminary positions on replacement framework and approach (for consultation) of May 2014. (the “Paper”).

Our submission focuses exclusively on unmetered public lighting services including a response on Type 7 metering as applied to unmetered public lighting.

We commend the AER for the Paper and for including several aspects raised by the SLG in previous submissions.

1.1 Classification

Before a service can be classified it must firstly be identified and specified. It must then be established whether it is a “distribution service” finally whether any economic regulation (classification) is necessary. The AER may then group services before classifying.

Our view is that unlike the DNSP’s “poles and wires”, there is no natural monopoly requiring DNSPs to provide public lighting services and ultimately these services should be unclassified. Whilst DNSP’s currently own and maintain the majority of lights; the AER should see contestability as the natural development of the market, with the next period seen as a transitional period.

We submit that the current lack of tariff options via a single OMR tariff, coupled with DNSP practices (eg “required” vesting of new lights, and automatic replacement of an existing light at the end of its life) are effectively preventing the development of the contestable market in Victoria.

Theoretically, both alternative controlled and negotiated classifications should provide the same financial outcome as both should reflect the cost of the service.

The negotiated classification however provides flexibility for customers to establish and/or vary services during the regulatory control period – something the Alternative classification does not. The Negotiated classification also potentially provides better access to councils to DNSP costs via confidentiality arrangements pursuant to the NERs.

OMR charges have increased 94% since 2006 versus CPI of 24%.² As summarised in item 1.2 below, the SLG has identified aspects (eg capital and GIS) of the current OMR charges which **must** be addressed in the coming process.

In addition, to enable customer choice, the “service” of replacing lights **must** be at the customer’s option and a tired OMR structure **must** also be introduced for Victoria³.

¹ Formed in 2002 to provide a unified approach to establishing fair and reasonable public lighting operation, with DNSPs, the Group comprises metropolitan and rural Victorian Municipalities (Attachment A – List of Streetlight Group Councils) responsible for managing approximately 50% the State’s Public Lights.

² Item 5.2.3, page 23

³ Item 5.2.5, page25

Tiered Tariff model⁴

Tariff	Funding	Maintained
Full Charge	DB	DB
Customer	C	DB
Energy Only	C	C

C= Customer or other provide equity/perform

DB = Distributor equity/perform

We note in its 2009 determination that the AER established a Customer lighting tariff in Victoria for T5 lights. So this approach simply needs to be extended to all light types.

Critically, if the AER classifies any public lighting services as Alternative controlled, it must address the aspects currently prohibiting market development, otherwise the service(s) should be classified as Negotiated to enable customers to resolve.

If the AER decides to classify DNSP owned lights as an alternative controlled service, then we **request** the AER provides ample time and information for stakeholder review and comment.

We further submit that:

- as the DNSP provides a different service for non-standard lights (not owned by the DNSP). These services must be classified as negotiated.
- all other public lighting services, including replacement of the DNSP's existing lights be classified as Negotiated services or unclassified (as per SLG Table 1, page 7).
- in recognising there will need to be a transition to the eventual "unclassified" classification; all other public lighting services, including replacement of the DNSP owned existing lights be classified as Negotiated services or unclassified (as per SLG Table 1, page 7).

Key point summary:

1. There is no natural monopoly of public lighting services and all should ultimately be contestable ie unclassified.
2. There are multiple services which require to be clearly identified.
3. Our recommended services and classifications as per SLG Table 1, page 7
4. The Alternative controlled classification does not lend itself to the rapidly changing technologies and service requirements in the sector.
5. If Alternative classification for OMR, then:
 - a. Tiered pricing (tariff) options
 - b. Revision of current OMR charges including capital and GIS.

⁴ SLG Table 3 SA Tiered SLUoS (OMR) Pricing Structure, page 26

- c. Sufficient information (including establishing costs via a RIN⁵) to stakeholders with sufficient time to assess and respond to the AER

6. Replacement of DNSP owned lights classified as negotiated.

In section 5.1 (page14) we discuss our proposed classifications in terms of NEL 2F, and establish:

- There are no barriers to entry
- There is countervailing market power and a presence of substitutes,
- Information is available

We also establish that the Public Lighting Code:

1. only applies to DNSP owned assets,
2. recognises a requirement for negotiation,
3. recognizes the customer has the right to construct ,own and operate new public lighting, and
4. defines the contestability for charges relating to the replacement, relocation and alteration of existing public lighting assets

1.2 Control Mechanism

If the AER classifies any public lighting service as Alternative controlled then we support the AER's intended price cap.

We submit that the AER's proposed control mechanism for Alternative Control services in section 2.4.6 of its Paper requires **critical review** for the following reasons:

- a) "P". We have assumed P represents current OMR charges, which for the reasons outlined in item 5.2.4 are not cost reflective and are materially flawed, including:
- Despite no change in service from the DNSP, the current regulatory methodology has seen a 94% rise in OMR tariffs since 2006⁶ versus CPI of around 24%.
 - Whilst the SLG recognise that the 2011-15 OMR prices were deemed to be compliant, the fundamental issues were not addressed due to the administrative restrictions in the Appeal process. These issues include Depreciation, capital costs, RAB, WDV and GIS costs.
 - The capital related component in particular requires review for the reasons stated in item 5.2.4.2, the current tariffs enable DNSPs to continue to charge for assets that are already depreciated ie no cost to the DNSP.

Note: If a new (cost reflective) "P" was to be established then this would overcome our objection regarding "P". Our other concerns would however remain.

- b) "A": Whilst the formula sates an adjustment factor, it is unclear how this would apply to public lighting. We have concerns regarding the inclusion of any potential WDV in any public

⁵ Item 4.3, page12

⁶ SLG Table 2 DNSP Public Lighting Revenues, page23

lighting tariff eg “when customers choose to replace assets before the end of their economic life” as in our view this should be a cost to the customer requesting the replacement.

The formula also fails to recognise that the public lighting inventory is changing year on year. As the DNSP’s fixed costs and overhead do not change, the inventory changes need to be incorporated in to the formula (via “A”) to reflect changes in inventory when establishing annual changes on a \$/light basis.

For compliance, any tariff adjustment via “A” also requires consideration in terms of the DNSP’s CAM.

We submit if the AER is proposing to adopt the current OMR charges as “P” then this approach is **rejected** by the SLG as we do not believe it is cost reflective for the reasons stated in item 5.2.4.

Benchmarking

As submitted in item 4.3, we do not support benchmarking between distributors as an effective process for public lighting as our assessment is that current OMR tariffs are not cost reflective and as such any comparison (benchmarking) will not be effective in establishing cost reflective charges.

1.3 Type 7 Metering

In item 6 we examine that DNSP’s are required to keep accurate inventory data for the Type 7 metering (direct control – standard control service), these costs must be removed from the OMR tariff otherwise it will represent impermissible “double dipping”.

While DNSPs already have systems established to manage Type 7 metering for public lighting, we submit **there** is no monopoly characteristics of this service.

Whilst it may be appropriate in the next regulatory period for DNSPs to maintain inventory of their own lights and perform the Type 7 metering in their distribution region, the AER should recognise that others (non DNSPs) can potentially provide this service.

Should other service providers evolve then customers should be able to use these services as provided by others.

As such, a direct controlled classification may not be appropriate other than potentially for DNSP owned lights.

2 SUBMISSION OUTLINE

A brief outline of the contents our Submission is stated below.

- Section 3: Classification: In this section we provide our views primarily regarding section 1 of the AER's Paper being classification of services.
- Section 4: Stakeholder Questions. In this section we provide comments regarding the specific questions raised by the AER for comment by Stakeholders
- Section 5: NEL and NER Considerations. In this section we consider the Form of Regulation, clause 6.2.1(c) (1) of the NER, with regard to section 2F of the NEL.
- Section 6: Type 7 Metering:

3 CLASSIFICATION and GROUPING

In this section we provide our views primarily regarding section 1 of the AER's Paper being classification of services.

We also consider the appropriateness of 'grouping' of public lighting services.

On page 38 of the Paper the AER advised:

"Our preference is to allow the competitive provision of services wherever practicable"

We see that all publicly lighting services will ultimately be fully contestable ie "unclassified".

However as DNSPs own (even though they did not fund the initial cost for many of these assets) most of the current assets and maintain and repair these assets, there will need to be a period of transition.

3.1 Which Services?

Before a service can be classified it must firstly be identified and specified. It must then be established whether it is a "distribution service" and finally whether any economic regulation (classification) is necessary.

On page 37 of the Paper the AER advises:

"The AER has consistently defined the following public lighting services in other distribution determinations as the: (Paper, p 37)

- *operation, maintenance, repair and replacement of public lighting assets*
- *alteration and relocation of public lighting assets, and*
- *provision of new public lighting."*

Apart from Emerging technologies and greenfield sites, the AER has simply considered "existing public lighting services" (Paper, Figure 3), which comprises Operation (O). Maintenance (M) and Repair/Replacement (R) in a single tariff. Note: The Repair and Replacement aspects of the "R" component requires speared consideration as explained in item 3.2.

We **submit** to the AER that there are multiple services that form part of "existing public lighting services" and that these services require individual consideration to not only enable appropriate cost reflective tariffs to be established, but also to enable market development – something which the existing limited tariff structure prevents.

Potential public lighting services have been listed in SLG Table 1, page 7.

Regarding the Form of Regulation⁷, the AER must have regard to section 2F of the NEL.

In section 5 we have considered section 2F of the NEL and also NER clauses 6.2.1 (c)(2), (3) and (4).

⁷ clause 6.2.1(c) (1) of the NER

SLG Table 1 Public Lighting Services

No	Service Description	Distribution Service?	Proposed SLG Classification
DNSP owned Assets			
1	Operation, Maintenance, Repair—with O, M and R established separately, as these can be offered to customers in 5 and 6 below for similar light types.	Yes	Negotiated (A)
2	Replacement. NOTE: Critically , “like for like replacement” (Paper, page 21) should not be an automatic service provided by the DNSP it must be customer choice	No	Negotiated /Unclassified
3	Relocation /Alteration	Yes	Negotiated
4	Written Down Value (WDV) if asset retired before end of life	Yes	Negotiated
Customer owned Assets (including Non-standard Lights)			
5a	Operation (Ancillary Services) i.e. “O”. This “service” requires to be established Potentially including phone service, web service (separate items) Note: Inventory, GPS etc is part of Metrology process for Type 7 metering so not required	Yes (B)	Negotiated (C)
5b	Operation (Ancillary Services) i.e. “O” – If different services to 5a requested by the customer	Yes	Negotiated
6a	Maintenance/ Repair (“M/R”) – If requested by the customer for the same light type as the DNSP’s in 1 above.	No	Negotiated (D)
6b	Maintenance/ Repair (“M/R”) – If requested by the customer for other light types and “non-standard” lights.	No	Negotiated
7	Replacement	No	Negotiated
8	New public lighting Installation, including replacement of lights owned by the DNSP and emerging technologies	No	Unclassified (unregulated)
9	Relocation /Alteration	No	
Other			
10	Street light design	No	Unclassified (unregulated)
11	Tendering	No	

Notes:

- A. For DNSP owned assets, and indeed for any public lighting services, there should (in theory) be no material difference in the tariffs for a service irrespective of whether the AER classifies public lighting services as either a direct control and then alternative controlled service or as a negotiated distribution service.

In items 5.2.3 (page 23) and 5.2.4 the SLG has identified aspects of the current OMR charges which we submit to the AER must be addressed in the coming process. As the AER has not been able to effectively address these aspects in the past, the service should be classified as Negotiated which provides customers with better access to information and more flexibility in service.

- B. This service must be separate to those for type 7 metering.
- C. If classified as Alternative controlled, where the service is the same as for “O” in 1 (DNSP owned assets) then customers can elect to adopt. Otherwise the customer can negotiate a different service.
- D. If classified as Alternative controlled, where the service is the same as for “M/R” in 1 (DNSP owned assets) then customers can elect to adopt. Otherwise the customer can negotiate a different service

3.1.1.1 Watchman Lights

Interestingly, we note that the AER has classified “Installation, repair, and maintenance of watchman lights” as unclassified (Paper, p82). The SLG see no difference between the services offered by DNSPs for watchman lights and public lights.

NOTE: Whilst the AER has not explained in its Paper why watchman lights are unclassified, this classification may require consideration as a Negotiated distribution services if distributors own the lights, ie the same situation as distributor owned public lighting.

3.2 Grouping

Before classifying, the AER may group services. (Paper, section 1.1 p19, also section 2).

Apart from Emerging technologies and greenfield sites, the AER has simply considered “existing public lighting services” (Paper, Figure 3) currently represented by an OMR tariff per light type, comprising Operation (O), Maintenance (M) and Repair/Replacement (R). In previous determinations the AER has also established the WDV for DNSP assets.

Where the DNSP owns the light a single OMR charge is supported but **critically**, to enable market development, the Replacement component must be removed from the DNSP’s OMR.

For non DNSP owned assets, separate O and M/R (Repair) tariffs should be established to enable market development as it will provide choices for customers, that is customers can select which aspects of operation, maintenance and repair it requires from the DNSP.

The provision of separate tariffs is already available in full or in part in all other jurisdictions (refer item 5.2.5, page 25)

We **submit** to the AER that unlike other services (eg metering) where there is a natural grouping, that public lighting services should be individually classified.

4 AER STAKEHOLDER QUESTIONS

In this section we consider the specific questions raised by the AER in the Paper.

4.1 Negotiated Services for all Public Lighting?

On page 38 of the Paper the AER advised:

“Our preference is to allow the competitive provision of services wherever practicable. We note the dissatisfaction expressed in submissions with the current approach to public lighting. While our preliminary position is to continue the current classification approach, we think there may be a case to move to a negotiated service classification for public lighting services as a whole. We do not consider, at this time, a further move to not classify public lighting services is warranted. However, there may be scope to allow distributors and customers to negotiate public lighting services under the framework established by the rules.”

From page 12 of the Paper the AER sought:

“Our preliminary position is to continue to classify services to install new public lighting technologies as negotiated distribution services. We are interested in stakeholder feedback on whether we could classify all public lighting services as negotiated services.”

And from page 21

“At this time, we propose not to classify any Victorian distribution services as negotiated services. However, we are interested in stakeholder views on the possibility of classifying public lighting and new connections requiring augmentation as negotiated services, either now or in the future.”

From page 27 of the Paper the AER sought:

“We think the negotiating framework in the rules may provide prospective customers with sufficient confidence that service parameters and prices offered by distributors will be efficient. However, before changing from the current classification approach we seek stakeholder views on this potential change in our classification approach.”

And from page 39:

We seek stakeholder submission on the potential to classify all public lighting as a negotiated service.

SLG Response - Our view is that ultimately all public lighting services should be unclassified and that the AER should see this as the natural development of the market.

Recognising there will need to be a transition to the eventual “unclassified” classification, our recommended classifications are included in SLG Table 1, page 7.

The current situation is that DNSPs own (even though they did not pay the initial cost for many of these assets) most of the current assets and maintain and repair these assets.

For DNSP owned assets, and indeed for any public lighting services, there should (in theory) be no material difference in the tariffs for a service irrespective of whether the AER classifies public lighting services as either (1) a direct control and then alternative controlled service or (2) as a negotiated distribution service.

Our view is the tariff simply must be “cost reflective” for the service.

There are however other differences between the alternative and negotiated classifications, including under negotiated:

- Councils can change their service requirements and request separate tariffs for these services from the DNSP, and
- The process to establish costs and tariffs is transparent⁸ and not time constrained – both which are issues for the customers and the AER alike when undertaking the process to establish alternative controlled charges.

A further consideration in classifying a service as a negotiated service, rather than unclassified, is that the negotiation classification provides a process to enable councils to engage effectively with the DNSP to establish charges.

The AER correctly points out in its Paper that information is available to customers via the negotiation process under NER Ch 6 Part D.

As the public lighting sector is rapidly developing in terms of technology and services, a benefit of negotiation classification is that it provides flexibility for changing services and including new technologies during the regulatory period – something which the Alternative classification does not.

That is, during the regulatory period customers can vary their service requirements and establish prices for these requirements.

We **submit** that the AER cannot reasonably introduce tariffs within a regulatory period for an alternative classification service without stakeholder consultation. This was done during the current period for 25W LED lights for Endeavour Energy in NSW resulting in a SLUoS⁹ that does not reflect the lower maintenance cost of LED lights.

A further consideration is the AER (Paper page 37) has already classified emerging technology and greenfield sites as a negotiated distribution service, thereby already establishing negotiation as a classification for some public lighting services.

In considering the methodology to establish alternative controlled tariffs, the SLG have serious concerns regarding the current process. As established in item 5.2.3 despite no change in service from the DNSP, the current regulatory methodology for alternative controlled public lighting services has seen a substantial rise in tariffs, well above CPI. In item 5.2.4 we have also identified concerns regarding the current methodology used to establish OMR tariffs.

⁸ confidential information can be provided in the negotiation process

⁹ Equivalent of the Victorian OMR

The regulatory process for establishing alternative control tariffs is also problematic as DNSP's may not declare their actual costs (eg the purchase cost of a luminaire) for stakeholder review as it may be seen as confidential. Without actual costs, customers cannot assess the appropriateness (or otherwise) of the DNSP's proposed charges in terms of the NERs. The way capital cost components have been established has also significantly contributed to these escalating charges.

The high and multiple overheads (as identified in item 5.1.4) included by DNSPs in the current tariffs will (in our view) ultimately price DNSPs out of the market.

Conclusion

We submit that whilst the DNSP's currently own the majority of lights and that the DNSPs maintain these lights; the AER can reasonably classify these services as either alternative or negotiated. Theoretically, both classifications should provide the same financial outcome as both should reflect the cost of the service.

In items 5.2.3 (page 23) and 5.2.4 the SLG has identified aspects of the current OMR charges which we submit to the AER **must** be addressed in the coming process. The SLG have also submitted that a tired OMR structure **must** be introduced for Victoria¹⁰ and that Replacement **must** be at the customer's option.

Critically, if the AER is not prepared to address these aspects then the service should be classified as Negotiated.

If the AER decides to classify DNSP owned lights as an alternative controlled service, then we **request** the AER provides ample time and information for stakeholder review and comment.

We further **submit** that all other public lighting services, including replacement of the DNSP's existing lights be classified as Negotiated services or unclassified (as per SLG Table 1, page 7).

4.2 Greenfield and Emerging Technology?

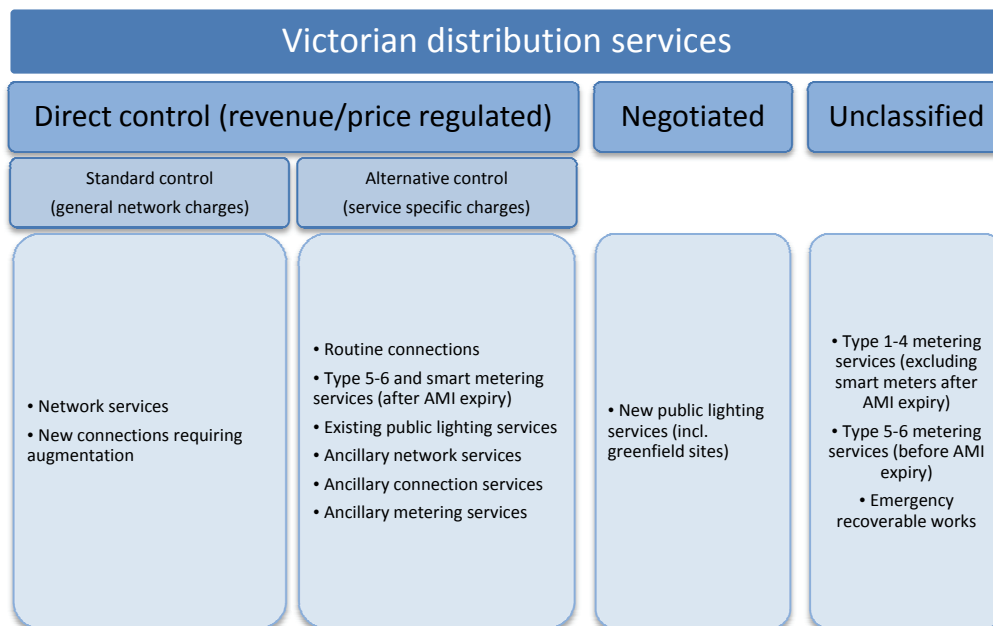
From page 21 of the Paper the AER advises:

"A negotiated distribution service is a classification that reflects a light handed approach to regulation. Service providers and prospective users negotiate services and prices according to a framework set out in the rules. We are available to arbitrate if necessary. This classification relies on both parties possessing sufficient market power to effectively negotiate. At this time, we propose not to classify any Victorian distribution services as negotiated services. However, we are interested in stakeholder views on the possibility of classifying public lighting and new connections requiring augmentation as negotiated services, either now or in the future." (our underline)

SLG Response – In Figure 3 of the Paper the AER shows Greenfield sites as a negotiated service? This requires clarification by the AER.

¹⁰ Item 5.2.5, page25

“Figure 3: AER's preliminary classification of Victorian distribution services “



From page 38 of the Paper the AER sought:

Is the current classification of greenfield sites and/or emerging technology as a negotiated service correct? Comments are sought on whether any other classification would be preferable for either service and if so, why?

SLG Response – Recognizing that there are no monopoly characteristics in the provision of these public lighting services, we submit to the AER that Greenfield sites and emerging technologies is “unclassified”. Note: As per SLG Table 1 page 7 (number 6), customers can negotiate a maintenance and repair service with the DNSP if required.

4.3 Expenditure?

From page 70 of the Paper the AER sought:

“This attachment sets out our intention to apply our expenditure assessment guideline¹¹ including the information requirements to the Victorian distributors for the 2016–20 regulatory control period. We propose applying the guideline as it sets out our new expenditure assessment approach developed and consulted upon during the Better Regulation program. The expenditure forecast assessment guideline outlines for the distributors and interested stakeholders the types of assessments we will do to determine efficient expenditure allowances, and the information we require from the distributors to do so. The Customer Challenge Panel supports this view.¹²”

SLG Response – We submit the following to the AER:

¹¹ We published this guideline on 29 November 2013. It can be located at www.aer.gov.au/node/18864.

¹² Letter to the AER, CCP sub-panel 3, 23 May 2014

- 1) We do not support benchmarking between distributors as an effective process for public lighting as our assessment is that current OMR tariffs are not cost reflective and as such any comparison (benchmarking) will not be effective in establishing cost reflective charges. Our claim is support by:
 - a) The issues we identified in item 5.2.4 regarding current Victorian OMR charges,
 - b) Significant prices hikes in NSW SLUoS¹³ charges including 49% in 2009 by Ausgrid and ~ 60% proposed by Essential Energy for 2016, neither of which we assess as being 'cost reflective', but they have been able to establish these increases as regulatory compliant.
- 2) To enable stakeholders to effectively assess capital costs for public lighting, we request the AER to seek each the following from each Victorian distributors via a RIN:
 - a) if the distributor has/ is treating replacement lights as 'opex' or 'capex',
 - b) the distributor's actual depreciation schedules, and
 - c) the distributor's (actual) depreciated asset values on its statutory (tax) accounts as this represents the DNSP's 'costs incurred'.
- 3) Other considerations are included in our submission regarding the control mechanism (item 5.2).

¹³ The NSW equivalent of OMR charges

5 NEL and NER CONSIDERATIONS

5.1 Classification of Distribution Services

Regarding the Form of Regulation and clause 6.2.1(c) (1) of the NER, the AER must have regard to section 2F of the NEL.

We submit the following in support of our request for the classification of public lighting services primarily as Negotiated distribution services as shown in SLG Table 1, page 7.

5.1.1 NEL 2F (a) – ‘barriers to entry in a market’

Whilst a natural monopoly may exist for “poles and wires”, a natural monopoly does not exist for public lighting services, and there are a growing number of councils adopting the international ‘norm’ (including New Zealand) of owning and maintaining their own lights.

As there is no natural monopoly, public lighting services, we envisage public lighting will ultimately be unclassified ie like watchman lights.

Whilst we recognise that the DNSP’s ownership of many of the existing lights currently provides a barrier to entry in terms of maintenance and operation of these particular lights, it does not provide a barrier to entry for all other services, including funding, ownership, maintenance and operation of all new lights, including replacement of existing lights by customers.¹⁴

Current DNSP practices and the current single OMR tariff are propagating the “barriers” and preventing competition. These practices include:

- 1 The “required” vesting of new public lighting to DNSPs. This practice requires further investigation including “why and how this practice exists” and “is it appropriate market conduct”; and the
- 2 DNSPs claimed “automatic right” to replace lights at the end of their economic life.
Note: If councils want to maintain new lights they have funded then they should be entitled to. Whilst this aspect is outside of the AER’s powers, the AER can request a Code change or alternatively councils can address this directly with DNSPs.

Further, the current single OMR tariff fails to provide customers a choice of service.

These barriers can be removed over time through establishing services and prices through the regulatory process that enables market development. The current regulatory determination and tariffs, coupled with current distributor practices does not.

From page 37 of the Paper the AER advises:

‘While the Victorian distributors do not have a legislative monopoly over these services, a monopoly position exists to some extent.’¹⁵ This is because the Victorian distributors own the

¹⁴ Distributors have continually refused requests from customers to maintain distributor owned lights.

¹⁵ NEL, s. 2F(d).

majority of public lighting assets.¹⁶ That is, other parties would need access to poles and easements for instance to hang their own public lighting assets. However, the Victorian distributors own and control such supporting infrastructure. There are also safety restrictions on the qualifications of electrical workers in close proximity to overhead power lines. Therefore, similar to network services, ownership of network assets restricts the operation, maintenance, alteration or relocation of public lighting services to the Victorian distributors.¹⁷ Based on the above analysis, our preliminary position is to classify public lighting services, excluding emerging technology, as direct control services.¹⁸ This is consistent with its current classification.

We agree with the AER that a ‘monopoly position exists to some extent’ as DNSPs own the majority of existing lights. However as discussed above, there is **No Natural Monopoly** for public lighting services, and as discussed in item 5.1.5 (page17) , there are multiple service providers.

The existing ‘monopoly position’ has been artificially created by only having a single OMR tariff and the DNSP’s ‘requiring customers to vest assets to the DNSP to receive lower cost unmetered supply.

With regard to access to infrastructure we advise:

- 1 The DNSP’s receives DUoS charges (including payments from public lighting customers) to cover the full cost of network assets (supporting infrastructure). Further, NER 6.21 establishes that DNSP are not permitted to “Charge again” for these infrastructure assets.

NER 6.21 – “The clause also prevents Distribution Network Service Providers from receiving income twice for the same assets through prudential requirements and distribution service prices. “

- 2 In our view customers must be provided access to infrastructure under the National 3rd Party Access Code.
- 3 As discussed in item 5.1.5 (page17), there are multiple qualified service providers, including DNSPs, contractors to DNSPs and others that work in close proximity to power lines.

Safety

From page 37 of the Paper the AER advises:

‘ There are also safety restrictions on the qualifications of electrical workers in close proximity to overhead power lines. “

Safety cannot be considered a barrier to entry as any contractor (including DNSPs) engaged directly by councils would be required to comply with all aspects pertaining to safety. We have been advised by independent contractors (eg Citelum) that they can comply with this requirement.

Approval of Lights and Light Types

Selection and approval of light types cannot be considered a barrier to entry.

We accept that any unmetered light must be on the AEMO Load Table.

¹⁶ NEL, s. 2F(a).

¹⁷ NEL, s. 2F(a)(d).

¹⁸ NER, clause 6.2.1.

We are however not aware of any legislative requirement for DNSP's to "approve" a light for use on the network.

Recognising that lights have a connection point at the fuse, the SLG submit that where the customer (not the DNSP) owns the light that any performance risk also lies with the customer.

Non-Standard Lights

The AER does not appear to have recognized in its Paper that many existing lights are "non-standard" and that these lights are:

- a) not owned by the DNSP, and
- b) whilst DNSP's have charged full OMR tariffs they do not provide full OMR services eg only replace lamp and PE cell

These services should be treated in the same manner as other non DNSP owned assets, as a negotiated classification where customers can establish the services they require before seeking prices from distributors or others.

5.1.2 NEL 2F (b) – 'interdependencies with other electricity network services'

Whilst economies of scale and scope may be possible via the provision of both network services and public lighting services, in our experience, DNSPs typically use different contactors to provide each service,¹⁹ thus negating any efficiencies or cost benefits. Further, typical DNSP work scheduling practices are unlikely to prevent network services being competitively provided by an alternative service provider.

In establishing public lighting service charges, as most aspects are undertaken by contractors there is no interdependency on the 'poles and wires' aspect of the distributor business.

Indeed, the "service" being provided by the DNSP therefore requires review as the DNSP's service is no more than a contract manager.

A final consideration under this clause is a 'negative' interdependency in that DNSPs have high overheads due to their network and other services, and these high overheads and costs are included in the customer OMR tariffs.

5.1.3 NEL 2F (c) – 'interdependencies with other markets'

Contractors used to provide public lighting services can also provide "similar services" to customers in other markets. e.g. telecommunication network providers (including NBN Co), and councils for vegetation control and the like.

¹⁹ AER, Final decision Victorian electricity distribution network service providers, Distribution determination 2011–2015, October 2010, p848.

Rural and remote communities can also support local businesses for the benefit of their community.

5.1.4 NEL 2F (d) – ‘countervailing market power’

Individual network service users (councils) may not initially have the same economies of scale in terms of procuring public lighting assets as the existing DNSPs, but councils could group together (as they do for other services) to tender public lighting services in bulk to minimise costs.

We advise the AER that the MAV has already conducted such a process to procure new lights for councils.

Another consideration is that on the other hand councils or other service providers do not have the high overheads (eg 20% to 31%²⁰ in Victorian DNSPs) and on-costs, attributed to public lighting in previous price determinations. Further, as DNSP’s engage subcontractors, there are two ‘profits’ and overheads that councils for which councils are paying in current charges.

5.1.5 NEL 2F (e) – ‘presence and extent of substitutes’

In Victoria, there are alternative commercial providers, as we note that DNSPs typically engage subcontractors to perform many of these services. Further, for services that are not a natural monopoly (eg public lighting, metering, connection etc), there is no reason why DNSPs should not provide these services in other DNSP “regions”!

A contestability framework for the provision of public lighting services by third parties therefore already exists in Victoria as there are multiple qualified service providers.

Further, there are numerous interstate providers that can also provide these services.

We submit to the AER that where no natural monopoly exists for a service, the AER should consider that all DNSPs are capable of providing these services on a competitive basis throughout the state.

5.1.6 NEL 2F (g) – ‘information available to electricity network service users’

If the AER classifies Public lighting services as Negotiated distribution service, then DNSPs must comply with the requirements of chapter 6 Part D of the NER.

In accordance with clause 6.7.5 (c)(2) of the NER, the Network Service Provider (the DNSP) is required, to provide all such commercial information a Service Applicant (the customer) may reasonably require to enable that applicant to engage in effective negotiation with the provider for the provision of the negotiated distribution service, including the cost information.

With public lighting classified as Alternative Controlled, the inability of the AER to release DNSP’s confidential information has proven problematic in previous regulatory process and will remain so

²⁰ AER, Final decision Victorian electricity distribution network service providers, Distribution determination 2011–2015, October 2010, Impaq comment p844

despite this information being required by customers to prepare submissions in response to DNSP pricing proposals

In the 2011-16 Alternative Controlled regulatory process, information to stakeholders was restricted due to confidentiality requirements placed on the AER by DNSPs. As such, stakeholders could not effectively assess the DNSP proposals.

The AER's classification of public lighting services as a Negotiated service can overcome any confidentiality issues as this can be effectively managed through clause 6.7.6(a) of the NER which will ultimately be incorporated in the DNSP's Negotiating Framework.²¹

Pursuant to NER clauses 6.7.5 (c)(2) and 6.7.6(a), consumers of public lighting services will have sufficient information to enable informed negotiation with Victorian DNSPs.

The adoption of the Negotiated services classification for Public lighting services will more than satisfy the requirements of section 2F (g) of the NEL, and indeed overcome the significant issues that have faced the AER and customers regarding the provision of confidential information from DNSPs in prior periods.

5.1.7 NER Clause 6.2.1 (c)(2) - "the form of regulation (if any) previously applicable"

The AER should aim to establish the best arrangements for public lighting services and in this regard we support the AER not adopting "existing arrangements" as primary considerations as identified in 2.3.3 in the Paper.

The AER however must give detailed consideration to the classification of distribution services under chapter 6 of the NERs including 6.2.1(c)(2), with due consideration, that public lighting should eventually be fully contestable, and that providing customers with (1) a Tiered Pricing structure, and (2) the ability to negotiate (as per chapter 6 Part D of the NER) will enable progression towards this outcome.

5.1.8 NER Clause 6.2.1 (c)(3) - "the desirability of consistency in the form of regulation"

The Victorian public lighting service and tariff structure is inconsistent with all other jurisdictions as Victoria does not have tiered pricing (in varying forms in all jurisdictions – refer item 5.2.5, page 25) or negotiated public lighting services as exist in South Australia.

As a minimum, the AER must introduce these tiered pricing structures otherwise the Victorian market will fail to develop and consumers will continue to suffer from lack of choice.

We therefore encourage the AER to take this opportunity to identify services and establish structures that enable the development of a contestable market.

We **submit** that the AER should aim to establish the best arrangements to enable the contestable market to develop, and that a tiered pricing structure and (expanded) negotiated services form part of that process. If the AER adopts this objective then we support the AER not adopting "desirability

²¹ The Negotiating Framework in South Australia allows exchanges of confidential information (RRM 2)

of consistency of regulatory arrangements” as primary considerations as identified in 2.3.4 in the Paper.

5.1.9 NER Clause 6.2.1 (c)(4) - “any other relevant factor”

5.1.9.1 Public Lighting Code

The AER advised (Paper page 36) “The rules do not define public lighting service; however, they are defined in the Victorian public lighting code which is administered by us”.

In considering the services identified in the Code we note:

“1.3 To whom and how this Code applies

This Code applies to each distributor under its distribution licence¹ only in respect of the public lighting assets owned by that distributor.”

We also note:

“1.4 Variation by written agreement

1.4.1 A distributor or a public lighting customer may seek a written agreement with the other party to expressly vary their respective rights and obligations under this Code.

1.4.2 If such an agreement is sought, the public lighting customer and the distributor must negotiate in good faith.”

In its 2004 Determination²² the ESC provided additional clarity regarding the Code, including:

“The intention of the Public Lighting Code was to enable a framework in which public lighting customers and distributors could negotiate the public lighting service charges and service requirements on the existing (pre-2001) distributor owned public lighting assets.”

And

“As noted previously, the obligations under clause 9 of a distribution licence extend only to public lighting assets owned by the distributor. Thus, the Public Lighting Code does not apply where the public lighting customer elects to construct, own and operate public lighting.”

And

“H.6.3 New and replacement public lighting assets

The Public Lighting Code applies only to distributor-owned assets. Public lighting customers are able to choose to own new public lighting assets and therefore competitively tender the construction and ongoing operation and maintenance of the new public lighting assets. However, as defined in clause 3 of the Public Lighting Code, a public lighting customer and distributor may agree that ownership of assets, after their construction and commissioning, will be transferred to

²² Section H6

the distributor. If an agreement to transfer the assets is made, then the assets become subject to the applicable standards and obligations of the Public Lighting Code.

While the public lighting customer has the right to construct own and operate new public lighting, this right does not extend to:

- *installing new public lighting assets on distribution poles without first obtaining the distributor's consent*
- *connecting public lighting assets to the distributor's network without their consent.*

Clause 4 of the Public Lighting Code defines the contestability for charges relating to the replacement, relocation and alteration of existing public lighting assets."

Critically, when considering services, the Code:

5. only applies to DNSP owned assets,
6. recognises a requirement for negotiation,
7. recognizes the customer has the right to construct ,own and operate new public lighting, and
8. defines the contestability for charges relating to the replacement, relocation and alteration of existing public lighting assets

The SLG submit that these aspects must be considered by the AER in terms of the NEL

5.1.9.2 Sector Development

Pursuant to clause 6.2.1(c)(4) of the NER, the AER must consider the (lack of) development of competition in the Victorian market as a relevant factor.

On page 22 of the Paper the AER considers market development

"For services we intend to classify as direct control services, the rules require us to have regard to a further range of factors.²³ These include the potential to develop competition in provision of a service and how our classification may influence that potential. Also, whether the costs of providing the service are attributable to a specific person. And, the possible effect of the classification on administrative costs."

As discussed throughout this submission the current tariff classification and resultant DNSP behaviors have restricted market development.

To enable development the AER simply needs to provide additional options for customers, including:

- 1) the separation on OMR in to O, M and R components for non DNSP owned /funded assets,
- 2) Providing choice to customers as to whether they use the DNSP's M/R (maintenance and repair) service for non DNSP owned lights, and
- 3) removing the 'requirement' for DNSP's to replace DNSP owned assets.

²³ NER, clause 6.2.2(c).

We submit that the current single OMR tariff and how the Public Lighting Code is being interpreted and applied by DNSPs are primary contributing reason to the low levels of competition and is not providing the appropriate regulatory outcome as sought.

Current DNSP practices impacting competition include:

- 1 The “required” vesting of new public lighting to DNSPs. This practices requires further investigation including “why this practice exists” and is it appropriate market conduct; and
- 2 The DNSPs automatic “right” to replace lights at the end of their economic life.

DNSPs do not fund new lights. They are funded by councils or developers. The DNSPs however “require” these lights to be vested to the DNSP and then the DNSP prevents others for maintaining and also “claims” an automatic right to replace the light at the end of its economic life – in perpetuity.

Public lighting customers incur the financial liability and therefore should fairly and reasonably determine who funds and replaces lights at the end of their economic life.

5.2 Control Mechanisms

On page 40 of the Paper the AER advises:

“We can only approve the forms of control in a distributor’s regulatory proposal if is identical to that set out in our F&A paper”

For the reasons outlined in this section, we **submit** to the AER that the mechanism requires careful consideration.

Note: The AER only needs to establish a control mechanism for services classified as Alternative Controlled.

5.2.1 Price Cap

We agree that for alternative controlled services a price cap for tariffs would be the most effective approach as per the Paper’s clause 2.4.5

Whilst establishing a price cap via a formula provides some price certainty, to enable prices to be cost reflective, the formula must be appropriate and reflect the distributor’s costs incurred. In this regard, we would expect that any prices should be similar to those achieved via negotiation pursuant to NER Chapter 6, Part D.

For the reasons outlined in item 5.2.5, caps must be established for each of the tiered prices.

5.2.2 Formulae for alternative control services

The AER outlined the following control mechanism for Alternative Control services in section 2.4.6 of its Paper.

“We are required to set out our proposed approach to the formulae that give effect to the control mechanisms for alternative control services in the F&A paper.²⁴ We must include the formulae in our final F&A in our distribution determination, unless we consider that unforeseen circumstances justify departing from the formulae as set out in the F&A paper.²⁵”

Services currently classified as alternative control services and remain classified as alternative control services

Below is a preliminary formulae to apply to alternative control services, which we propose to remain classified as alternative control services. We consider that the formula gives effect to the cap on the prices of individual services:

$$\bar{p}_i^t \geq p_i^t \quad i=1,\dots,n \text{ and } t=1,2,3,4$$

$$\bar{p}_i^t = \bar{p}_i^{t-1}(1 + CPI_t)(1 - X_i^t) + A_i^t$$

Where:

\bar{P}_i^t is the cap on the price of service i in year t

P_i^t is the price of service i in year t

CPI_t is the percentage increase in the consumer price index. To be decided upon in the final decision.

X_i^t is the X-factor for service i in year t . To be decided upon in the final decision.

A_i^t is an adjustment factor. Likely to include, but not limited to adjustments for residual charges when customers choose to replace assets before the end of their economic life. “

Based on our understanding of the formula, we reject the AER’s proposed formula for the following reasons:

- a) **“P”**. We have assumed that P represents current OMR charges, which for the reasons outlined in item 5.2.4 are not cost reflective and are materially flawed.

Note: If a new (cost reflective) “P” was to be established then this would overcome our objection regarding “P”. Our other concerns would however remain.

²⁴ NER, clause 6.8.1(b)(2)(ii).

²⁵ NER, clause 6.12.3(c1).

- b) **“A”**: Whilst the formula states an adjustment factor, it is unclear how this would apply to public lighting. We have concerns regarding the inclusion of any potential WDV in any public lighting tariff eg “when customers choose to replace assets before the end of their economic life” as in our view this should be a cost to the customer requesting the replacement.

The formula fails to recognise that the public lighting inventory is changing year on year (eg increasing 2% p.a. in NSW and we estimate 1% to 2% in Victoria). As the DNSP’s fixed costs and overhead do not change, the inventory changes need to be incorporated in to the formula (via “A”) to reflect changes in inventory when establishing annual changes on a \$/light basis.

For compliance, any adjustment via “A” also requires consideration in terms of the DNSP’s CAM.

Conclusion

We submit that the AER’s proposed control mechanism for Alternative Control services in section 2.4.6 of its Paper requires **critical review** and if the AER is proposing to adopt the current OMR charges as “P” then this is **rejected** by the SLG as we do not believe it is cost reflective for the reasons stated in item 5.2.4.

We submit the AER require including inventory adjustments in to “A”.

5.2.3 Cost Reflectivity

Despite no change in service from the DNSP, the current regulatory methodology has seen a substantial rise in OMR tariffs

SLG Table 2 DNSP Public Lighting Revenues²⁶

	A\$'000				Increase	
	2006	2009	2012	2013	2006 - 2013	2009- 2013
CitiPower	2337		4850	4405	88%	
Jemena	2301		3660	3915	70%	
Powercor		5800	8317	9332		61%
SP Ausnet	3625		7454	7868	117%	
United Energy	3795		7191	7245	91%	
Total	12058			23433	94%	

excl Powercor
excl Powercor
excl Powercor

During the 2006 to 13 period there was no change in distributor services and CPI (Melbourne) increased by around 24%²⁷.

In considering the OMR increases we note the Essential Services claimed in 2001²⁸ that the DNSP’s existing lights were in their DUoS RAB and as such OMR rates would increase over the period but that public lighting customers would benefit from a decrease in DUoS (network) charges. Whilst the

²⁶ Ex AER website. Extracted from DNSP responses to the AER’s RIN

²⁷ December 2005 to September 2013 ex ABS website

²⁸ Restated in the Essential Services Commission “Public Lighting Information Sheet No 1” 13 August 2004

OMR increases are evident – the corresponding DUoS decreases have not been realized. We can provide an assessment to support this claim if required by the AER.

5.2.4 Current Tariff flaws

5.2.4.1 Current Tariffs

Whilst the SLG recognise that the 2011-15 OMR prices were deemed to be compliant at Appeal, we were disappointed by the entire regulatory process including:

- The AER's opposition to the SLG producing 23 pieces of evidence²⁹ in support of our claims,
- Stakeholders were not provided multiple documents provided by the DNSP's in their pricing submissions³⁰, and
- Final formulae for OMR were not provided for stakeholder review before final OMR charges were established.

The SLG have learned from the process and will be better positioned to participate in the coming regulatory process and assist the AER in establishing cost reflective public lighting charges.

There are multiple aspects of the current OMR tariffs that require review and we have identified a few examples below.

5.2.4.2 Depreciation / Capital Costs / RAB/WDV

In section 5 of the Paper the AER discussed depreciation and the RAB. It also discussed the roll forward methodology.

To establish cost reflective tariffs, the tariffs must reflect the DNSP's costs.

The models for the current regulatory period are not cost reflective as they:

- Assume the replacement cost is capital in its nature, whereas, if as claimed by the AER it is for "like-for-like replacement" (Paper, page 21)., this cost could fairly be seen as an operating expense (and not capital) to maintain the public lighting network, and
- allow DNSPs to recoup costs for assets over a 20 year period, yet the ATO ruling since 1 January 2002 requires these assets be depreciated over 15 years (if capital), or otherwise in the year the expense is incurred.

For clarity, any assets installed in 2000 will be fully depreciated by DNSPs by 2015.

Critically, the current tariff structure allows DNSP's to continue to charge for assets which have no residual cost (beyond 15 years).

²⁹ Items referred to in our submission to the AER.

³⁰ These documents were only provided by the AER in the document discovery process. Whilst we note some were marked confidential, many weren't, or should not have been marked confidential.

The AER is also aware (via DNSP submissions³¹) that many lights currently in operation are more than 20 years old. The DNSP also continues to charge full OMR for these lights even though it has no capital cost.

This practice not only has a material impact on the capital cost component of OMR tariff (through depreciation and WACC) but also the WDV of the asset. By DNSPs continuing to charge (again) for assets where they have no cost provides a profit windfall to the DNSP at the customer's expense.

The SLG **submit** that:

- the application of appropriate depreciation will have a materially significant impact on OMR tariffs and must be addressed in the coming period
- The current RAB must be adjusted to reflect these lower distributor costs, and
- The AER must consider OMR tariffs, whilst compliant, have delivered a windfall profit to DNSPs (at the customer's cost) and how this can be remedied eg the AER can adjust the DNSPs RAB at the commencement of a regulatory period.

5.2.4.3 GIS Cost

The GIS services were originally included to enable distributors to establish their spatial location of the assets and to provide web based access to public lighting customers in the 2004 determination which allowed DNSP's to recoup these costs being \$500,000 over 5 years at \$100,000 p.a.

This was completed by all distributors prior to the current period.

As DNSP's are separately required to keep accurate inventory data for the Type 7 metering (direct control – standard control service), these costs must be removed from the OMR tariff otherwise it will represent impermissible "double dipping".

NOTE: The Type 7 metering charges billed by DNSP's exceed the \$100,000 p.a.

5.2.5 *Efficient (and Effective) tariffs*

As established in item 5.2.3, despite no change in service from the DNSP, the current regulatory methodology has seen a substantial rise in tariffs.

The AER appropriately recognizes that many of the existing lights are owned by the DNSP and the role of the Public Lighting Code – which only considers DNSP owned assets.

In considering public lighting services, we **submit** the AER must however consider tariffs and service classification as outlined in SLG Table 1, including:

- DNSP owned lights
- non-standard lighting,
- customer owned standard lighting (separate O,M and R), and
- emerging technologies.

³¹ councils have validated in physical audits

All other states have multiple tariffs and the SLG **submit** that a similar structure must be introduced in to Victoria. . For example, the South Australian tariff structure has three rates based on the principles of who paid for the light and who maintains the light. The South Australian rate types are known as “Full”, “CLER” (Customer Light Equipment Rate) and “Energy Only” and is shown in SLG Table 3.

SLG Table 3 SA Tiered SLUoS (OMR) Pricing Structure

Tariff	Funding	Maintained
Full Charge	DB	DB
CLER	C	DB
Energy Only	C	C

C= Customer or other provide equity/perform

DB = Distributor equity/perform

Full Tariff: Applies where the Public Light is installed, owned and maintained by the Distributor

CLER Tariff: Customer Lighting Equipment Rate - applies where the Public Light is installed and owned by the Customer but maintained by the Distributor. Note: Customers will need to provide non-standard parts for maintenance of non-standard lights.

Energy Only Tariff: Where the Public Light is installed, owned and maintained by the Customer.

Importantly, we note in its 2009 determination that the AER has already effectively established a CLER lighting tariff in Victoria for T5 lights. So this approach simply needs to be extended to all light types.

The introduction of a tiered pricing system is consistent with enabling the AER’s considerations on page 39 of the Paper:

“Local councils are experienced in procuring services and are large customers relative to households and small businesses. Also, local councils are not required to ask the distributors to provide, operate and maintain their street lighting assets. As public lighting customers, they have the option of providing (and owning), operating and maintaining their own lights, thereby avoiding the distributor’s physical public lighting services (by using an ‘energy only’ service). In essence, they may ask the developer of a greenfield site to vest the public lighting assets to the councils, rather than the distributor. Or they may only employ the distributor to replace failed light bulbs. We consider these options could provide some countervailing power to local councils and place some competitive pressure on the pricing of public lighting services.

6 Type 7 Metering

DNSP's are required to keep accurate inventory data for the Type 7 metering (direct control – standard control service), these costs must be removed from the OMR tariff otherwise it will represent impermissible “double dipping”.

While DNSPs already have systems established to manage Type 7 metering for public lighting, we submit **there** is no monopoly characteristics of this service.

Whilst it may be appropriate in the next regulatory period for DNSPs to maintain inventory of their own lights and perform the Type 7 metering in their distribution region, the AER should recognise that others (non DNSPs) can potentially provide this service.

Should other service providers evolve then customers should be able to use these services as provided by others.

As such, a direct controlled classification may not be appropriate other than potentially for DNSP owned lights.

END

7 Attachment A – List of Streetlight Group Councils³²

ALPINE SHIRE COUNCIL	MAROONDAH CITY COUNCIL
BALLARAT CITY COUNCIL	MELTON SHIRE COUNCIL
BASS COAST SHIRE COUNCIL	MONASH CITY COUNCIL
BAW BAW SHIRE COUNCIL	MORNINGTON PENINSULA SHIRE COUNCIL
BOROONDARA CITY COUNCIL	NILLUMBIK SHIRE COUNCIL
BRIMBANK CITY COUNCIL	PORT PHILLIP CITY COUNCIL
EAST GIPPSLAND SHIRE COUNCIL	SOUTH GIPPSLAND SHIRE COUNCIL
FRANKSTON CITY COUNCIL	STONNINGTON CITY COUNCIL
GLEN EIRA COUNCIL	STRATHBOGIE SHIRE COUNCIL
GREATER DANDENONG CITY COUNCIL	WANGARATTA RURAL CITY COUNCIL
HEPBURN SHIRE COUNCIL	WELLINGTON SHIRE COUNCIL
HOBSONS BAY CITY COUNCIL	WHITTLESEA CITY COUNCIL
KINGSTON CITY COUNCIL	WODONGA RURAL CITY COUNCIL
LATROBE CITY COUNCIL	WYNDHAM CITY COUNCIL
MANNINGHAM CITY COUNCIL	YARRA RANGES SHIRE COUNCIL

³² Please note that the views expressed in this Submission are those of the authors and do not necessarily represent the views of any individual council. Membership also changes from time to time.