



17 May 2013

(Sent via email to [costallocations@aer.gov.au](mailto:costallocations@aer.gov.au))

Mr Chris Pattas  
General Manager – Network Operations and Development  
Australian Energy Regulator  
GPO Box 520  
MELBOURNE VIC 3001

Dear Mr Pattas

**RE: Better Regulation: Shared Assets Guideline Submission**

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I am making this submission on behalf of 34 Councils participating in the SSROC Street Lighting Improvement Program. These Councils encompass approximately 226,000 street lights or 94% of all the lights in Ausgrid's distribution area.

SSROC has supported the need for reform of electricity pricing in a submission to the Australian Energy Markets Commission (AEMC) and welcomes the opportunity to now participate in the Better Regulation reform process that has resulted from the AEMC's November 2012 decision.

A key aspect of the new regulatory framework is the approach to sharing the benefits with customers of unregulated activities of the network service providers (NSPs). This submission is made in response to an issues paper the AER published on the Shared Asset Guidelines in March 2013.

**SSROC makes this submission with particular reference to the use of dedicated public lighting assets by the NSPs to generate additional unregulated revenue. Dedicated public lighting assets constitute a unique sub-class of 'shared' assets that a single customer, namely the local Councils, is fully funding. In this case, the great majority of unregulated revenue should flow to those Councils that pay for the full cost of these assets. Reporting and materiality thresholds outlined in the Issues Paper do not appear to be relevant in this context.**

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### **General Comments on Shared Assets:**

General points of note with respect to shared assets and public lighting are as follows:

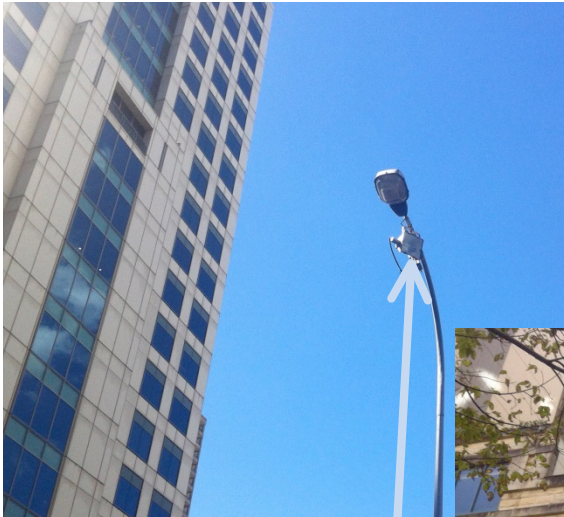
- “A shared asset is any distribution or transmission asset used to provide both regulated electricity supply services and unregulated services.”<sup>1</sup>
- Public lighting poles are being widely used by NSPs to support 3<sup>rd</sup> party telecommunication devices, private lighting and other services being operated as unregulated services (see sample pictures below from Sydney CBD).

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<sup>1</sup> AER Shared Assets Guidelines Issues paper p10



Communications equipment on dedicated street lighting poles



Ausgrid 'Lighting Solutions' security floodlighting for third-party customers on dedicated street lighting poles



- Dedicated public lighting asset charges cover 100% of the capital costs of these assets as well as installation labour, maintenance and NSP overheads. Alternatively, Councils may have fully funded these assets at installation. As such, dedicated public lighting assets constitute a unique sub-class of 'shared' assets with one specific customer fully funding their presence on the network.
- Under the revised Rules, customers who funded shared assets can now share in the benefits of unregulated activities. In this case, the Councils are fully funding the shared assets and should reasonably be entitled to the majority of unregulated revenue derived from these assets.
- The NSPs do not appear to have sought the consent of the Councils for the placement of 3<sup>rd</sup> party assets on the dedicated public lighting assets.

### ***Specific Responses to Issues Paper Questions***

- **Question 1:** The proposed materiality threshold of 1% of the annual revenue requirement for the NSP has no relevance in the case of public lighting assets where the assets are being fully funded by the customer but put to another use by the NSP.
- **Question 2:** Forecasting of shared asset cost reductions is not appropriate for public lighting assets. Asset cost reductions attributable to public lighting should be based on the revenue resulting from the actual assets in their area being put to other uses by the NSP.
- **Question 3:** A reporting threshold for shared assets when they exceed 0.5% of annual revenue requirement has no relevance in the case of public lighting assets where the assets are being fully funded by the customer but put to another use by the NSP. Data on the use of dedicated public lighting assets by the utility for other unregulated purposes should be available to Councils for all assets as part of street lighting inventories.
- **Question 4 & 5:** The proposed approach to shared asset cost reductions for public lighting assets put to another unregulated use by the NSP could be improved by applying a method for this class of assets based on the principle that the great majority of unregulated revenue should flow to the customers who have paid for assets (in this case, the individual Councils who are paying the full cost of the assets).
- **Question 6 & 7:** Only incremental costs plus a normal overhead margin on incremental costs should flow to the NSPs. NSP managers should not be heavily incentivised to find other income streams from sunk assets. It is not in consumers' interest to give stronger incentives to NSP managers to focus on generating other income streams than the main business activities they are meant to be focused on delivering.
- **Question 8 & 9:** In the case of shared asset revenue derived from public lighting assets, the shared asset cost reduction should be based on the unregulated revenues derived from each asset in each jurisdiction. This creates the right incentives for all parties and detailed street lighting inventories should readily support this approach.

Should you have any questions about this submission, please feel free to contact me on 02 9330 6455 or at [an@ssroc.nsw.gov.au](mailto:an@ssroc.nsw.gov.au)

Yours sincerely

A handwritten signature in black ink, appearing to read 'Alan Northey', with a long horizontal flourish extending to the right.

**Alan Northey**  
General Manager  
**Southern Sydney Regional Organisation of Councils**