

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

Our Ref: 3058238

13 July 2015

Dear Mr Pattas,

RE: FINAL FRAMEWORK AND APPROACH FOR THE VICTORIAN ELECTRICITY DISTRIBUTION NETWORK SERVICE PROVIDERS - REGULATORY CONTROL PERIOD 2016-2020

VicRoads or the Roads Corporation of Victoria is a statutory corporation which is the road and traffic authority in the state of Victoria, Australia. We are responsible for maintenance and construction of the arterial road network and also holds financial responsibility for the maintenance of distributor owned public lighting assets along arterial roads and freeways in Victoria.

VicRoads welcomes the opportunity to provide comments on the Australian Energy Regulator's (AER) proposed Framework and Approach for the Victorian Electricity Distribution Network Service Providers (DNSP), Regulatory control period 2016-2020.

VicRoads has considered the option of negotiation with the DNSP for the Operation, Maintenance, Repair and Replacement (OMR) of dedicated public lights although we still require answers to our questions for clarification before we make a final decision.

VicRoads would like AER to respond to the following questions, providing clarity;

1. If CCP is a regulatory body, How is the CCP reaching out to Council/VR to obtain their view/feedback.(Pg.12)
2. Is the recovery of all assets from accident damage (standard/non standard) (poles, luminaires, brackets, etc) insured by all distributors? If not, what is covered/not covered?
3. If non standard poles (owned by public lighting owner, i.e. VicRoads) are damaged by road accident. Are they insured by the distributors?
4. Clarity regarding new technology and greenfield public lighting.
5. Public lighting asset. Is there a PL asset management and replacement plan for assets in distributors network, If yes, what is the replacement plan? If No, Where and who will capture assets end of life information and how would you determine when to replace end of life asset.

6. What does OMR services entail in detail? Does OMR include surveillance works across the network?

Regarding Shared Public Lighting Assets (SPLA)

- a. What does OMR services entail in detail?
- b. What does the definition of a Public Lighting asset encapsulate? (Components like: Pole, cable, luminaries etc.)
- c. Replacement - Does replacement cover the complete asset set, in it's entirety, under all circumstances? (eg. End of life, accident damage, rusting etc.)
- d. Repair – Are all components, without exceptions, of a shared public lighting asset in scope of repair?
- e. How can VicRoads obtain a list of all shared public lighting assets across all five distribution networks?
- f. How will AER determine and agree on the DNSP tariffs associated with OMR for shared public lighting assets?
- g. Following the Framework and Approach, some DNSP's have proposed significant increases to the public lighting operation, maintenance and replacement (OMR) tariffs with varying levels of justification and evidence. Whilst VicRoads accepts that there will be increases over time such as CPI, the increase stated within the 2016-2020 regulatory period for shared public lighting assets is unjustified. For example, the OMR for a Mercury Vapour 250 Watt, 400 Watt and all High Pressure Sodium and Metal Halide luminaries in Jemena's area is proposed to increase by over 100% in the first year. How will AER regulate and justify these changes?

Dedicated Public Lighting Assets (DPLA)

Under the arrangement for Operation, Maintenance and Repair services only as per Page 67 of the Framework and Approach.

- a. What does the Replacement entail for dedicated public lighting assets?
- b. How will the replacement service tariffs for dedicated public lighting assets be determined?
- c. Under scenario 2A of the Negotiation of Public Lights.
If we were to tender out maintenance of dedicated public lighting assets, we need the following to be clarified:
 - i. What assets are owned by the distributors in the cost shared arrangement? Please provide us with an asset list.
 - ii. Under scenario 2A, it states that VicRoads/Council can test the market for OMR. Please advise what are the incentives for the distributors to transfer maintenance of public lighting assets owned by the distributor, or are none of the public lighting assets owned by the distributor?
 - iii. What does AER mean by "*Councils/VicRoads may receive tenders that will allow them to achieve some cost savings or better service agreements and outcomes from distributors without additional cost.*"
 - iv. What does AER mean by "*Distributors might choose to match these offers or not. If distributors do not, Councils/VicRoads may wish to sign contracts for alternative service provides to undertake this*

- work.*", and how can distributors match offers if tendering of works is to be a competitive process?
- v. Can VicRoads/Councils test the market for dedicated public lighting assets maintenance without Power distributor's involvement?
7. Our comments for scenario 1, VicRoads believe a competitive tariff can be achieved for dedicated public lighting assets by retaining AER's involvement during the negotiation process.
 8. For cost shared Public Lighting assets (VicRoads/Councils) - In the absence of AER's involvement, if councils were split in their approach to dedicated public lighting assets, how and who will resolve the matter?
 9. If VicRoads/Councils were to undertake dedicated public lighting assets tariff negotiations with the distributor and those negotiations were to fail, who would VicRoads/Councils revert to for a resolution?
 10. Under scenario 3, AER mentions "*If looking at contracting an alternative service provider directly, councils/VicRoads may consider it more economical to have ownership and full control of these assets and might seek to negotiate the purchase of these assets from distributors.*" But VicRoads' understanding is that these cost shared Public Lighting assets are owned by VicRoads but maintained by the distributors under the OMR arrangement. Can AER confirm?

VicRoads would welcome the opportunity to discuss this matter in more detail. The VicRoads contact is Ashish Daga - Team Leader Procurement and Contract Management, Ph (03) 9854 2150.

Sincerely,

Procurement and Contract Management team
Road Operations – Intelligent Transport Systems
VicRoads

