



Submission to the AER Distribution
Determination of NSW DNSPs for the
period 2009 – 2014

August 2008

Prepared by the

Western Sydney Regional Organisation of Councils Ltd

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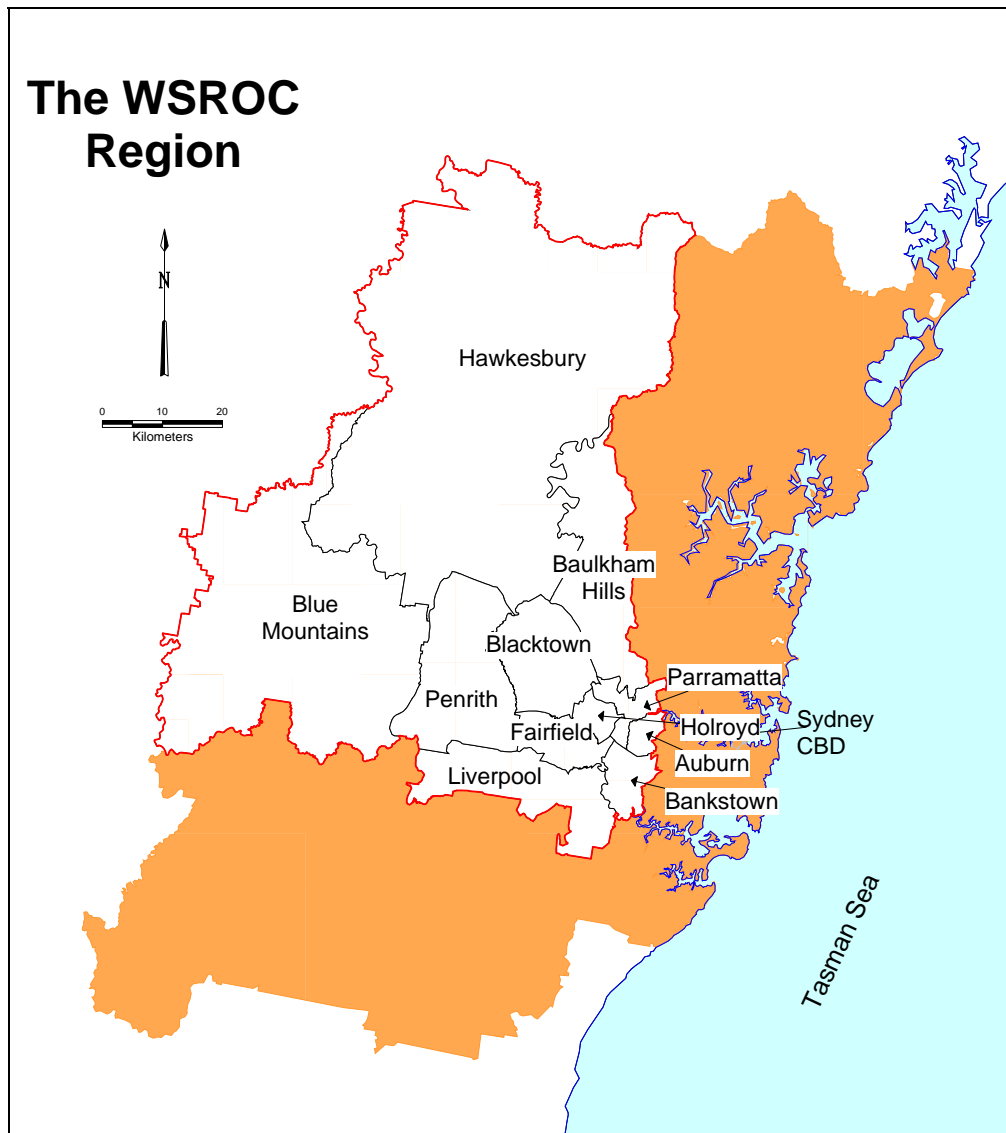
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Auburn
Bankstown
Baulkham Hills
Blacktown

Blue Mountains
Fairfield
Hawkesbury
Holroyd

Liverpool
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Penrith

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Background to WSROC

WSROC – the Western Sydney Regional Organisation of Councils Ltd – is one of Australia’s oldest and most respected local government lobbying organisations and a key advocate for Western Sydney.

Member councils are:

- ◆ Auburn Council
- ◆ Bankstown City Council
- ◆ Baulkham Hills Shire Council
- ◆ Blacktown City Council
- ◆ Blue Mountains City Council
- ◆ Fairfield City Council
- ◆ Hawkesbury City Council
- ◆ Holroyd City Council
- ◆ Liverpool City Council
- ◆ Parramatta City Council
- ◆ Penrith City Council.

WSROC was formed in November 1973. It became a company limited by guarantee in 1991. All member councils make an equal annual contribution to the operating costs of WSROC and have equal voting rights.

The decision-making body of WSROC is the Board, consisting of two voting Directors from each member council.

The Board’s role in managing the organisation is supported by the Executive Management Committee (EMC) which meets between Board meetings. The organisation is resourced by a small regional secretariat, with professional and support staff.

A number of professional committees and groups of staff from member Councils also meet regularly to assist in implementing the work program and to discuss major regional issues. These professional committees, member councils, the secretariat, the EMC and the Directors themselves all provide advice and recommendations to the Board for consideration.

WSROC has a reputation for considered policy analysis and advocacy on a wide range of issues affecting the residents of Western Sydney. These include public transport, roads, economic development, housing, urban planning and management, environment, employment, community services and a range of local government issues. WSROC is responsible for improvements in many of these areas and has helped to create many of the region’s institutions and agencies.

WSROC’S MISSION

To secure – through research, lobbying and the fostering of co-operation between councils – a sustainable lifestyle for the

people of Western Sydney and the provision of infrastructure such that no one should have to leave the region to have access to the sorts of amenities, services and opportunities others in urban Australia take for granted.

Scope of this Regional Submission

In presenting this submission WSROC is not seeking to provide detailed information on the impacts on our member councils of the proposals made by the two suppliers for our region (EnergyAustralia and Integral Energy).

A number of WSROC member councils have made submission to this determination process, both directly and as a part of a coordinated submission made by the Southern Sydney Regional Organisation of Councils (SSROC), which has prepared a submission on behalf of a large number of councils which fall within the geographic area of Energy Australia, two of whom are WSROC member councils.

There is a degree of variation in submissions made by our member councils, due to the two different suppliers as well as the different branches of Integral Energy that our councils deal with in respect of service and maintenance.

Accordingly WSROC directs the AER's attention to the submissions made by member councils including Bankstown, Fairfield, Parramatta and Penrith for a detailed analysis of costs and service issues arising from the proposals of Energy Australia and Integral Energy.

This submission re-enforces the major issues in general terms that are raised in these submissions while focussing on systemic issues in the relations between the suppliers and local government in the region.

1. Relative Pricing of Network Costs and Energy Usage in View of Climate Change and Energy Policy

WSROC believes that given the need for Australia to reduce its greenhouse gas emissions, energy policy and market regulation should encourage increased energy efficiencies and reductions in overall energy usage. To this end WSROC would argue that governments should seek to shift the balance of costs for electricity towards the usage component and away from the fixed network charge component.

In this context it is the view of our member councils that current network pricing and billing processes do not support improvements in energy efficiency because a significant component of the network charge is fixed.

An additional issue is that the choice of new lighting and the unduly high prices charged for this lighting, particularly by EnergyAustralia, act as a significant disincentive to the installation of these lights, thus limiting energy and greenhouse gas emission savings.

The introduction of the National ETS from 2010 is anticipated to have a significant impact upon energy usage charges to consumers, notwithstanding the issuing of carbon emission permits to electricity generators that is being contemplated by the Federal Government. The price of energy will be one of the levers that will be used to encourage energy efficiency and increase the viability of new technologies for carbon neutral electricity generation.

A determination now that entrenches high network charges until 2014 risks compromising the restructuring of energy charges towards energy efficiency through the National ETS and other government policy initiatives in response to climate change.

The future for electricity supply in Australia should emphasise reduced energy usage achieved through low-energy technologies and service efficiencies that are encouraged by an appropriate, transparent and consistent pricing structure (see below) that provides affordable energy for low volume users and appropriately higher per unit costs for high users within each supply sector. Overall, progress to this future would appear not to be well reflected in the current proposals of Energy Australia and Integral Energy.

In this context it is the view of WSROC and member councils that increases to fixed network charges be refused, reduced or otherwise kept to a minimum.

2. Unjustified price Increases

Analysis by our member councils of the pricing proposals, indicate very large increases of the order of 22% to 45% (or even 90% for EnergyAustralia's network distribution charges for public lighting) are being sought over the regulatory period. These proposed increases follow significant increases over the past 3 years of up to 40%. There are large and unsupported price increases for individual components, unexplained differences between the pricing for key light types between the two different suppliers for the same

fittings and significant discrepancies when comparing pricing against other utilities in other states.

WSROC understands that our member councils have in the past objected to increases in prices that lacked a sound basis. In this instance again the price increase proposals based upon the *current* service standards and pricing structure are not appropriately justified in the proposals presented by Integral Energy and EnergyAustralia, particularly the latter. To address this concern, both Integral Energy and EnergyAustralia should be required to develop appropriate and detailed costs-for-servicing models, enabling prices to be compared with utilities in other jurisdictions.

3. Service Standards

Over the past year or more WSROC has noted repeated concerns raised by member councils relating to underperformance by the electricity providers with regard to their maintenance and service agreements, particularly extensive delays in restoring failed street lights and generally slow response times.

Although service standards vary, and reasonable service level are experienced by some of our councils, it is of concern that some of our councils indicate that poor maintenance levels and the installation of obsolete lighting when replacements are required, compromises public lighting standards and fails to meet community expectations.

WSROC urges the AER to carefully consider and, if necessary, investigate the complaints made by councils regarding maintenance of street lights and general service standards.

4. Complexity and lack of Transparency in Network and Usage Charges

Initial discussions with councils have indicated that there is a significant issue regarding complexity and lack of transparency in the determination and application of various network and usage charges. For example, the proposals outline a range of both fixed and variable charges applying to streetlights and various metered facilities. How these charges are applied to different facilities varies for no discernable reason and estimating the impact of increases therefore requires individual calculations for each metered facility, of which a single council may have hundreds.

This example would suggest that the AER should review the system, logic and justification for the setting and reporting of charges. The charging

structure should be appropriate to achieve energy efficiency and environmental goals, should not be unnecessarily complex and the application of the various charges should be transparent.

Current billing procedure are inadequate and do not provide sufficient breakdown of charges. Billing, based upon the elements provided to Councils within the network, should include the actual number of fittings in addition to the chargeable days, the number, type and location of fittings removed from or added to the network. This information would allow Councils to review the cost of street lighting to various localities, particularly town centres and other areas that require different levels of service, thus enabling more efficient energy usage.

5. Monopolies in Distribution and Supply and inadequate Regulation in NSW

It is WSROC's view that the issues outlined above are largely the result of systemic weaknesses in the structure of the electricity distribution and supply sector in NSW in that the suppliers are effectively geographic monopolies and there is a lack of appropriate regulation.

Street lighting is a monopoly service of NSW electricity distributors yet, for some of our councils, there are no contracts, no binding service regulation and there has been ineffective regulatory oversight of pricing to date. Having no recourse to an alternative supplier, councils have had little meaningful choice of technology used (having to take what is available on the supplier's lists) nor of maintenance practices.

To bring confidence in the regulatory regime for monopoly services pricing, it is essential that there are service standards which are mandatory and complied with (it is understood that the Public Lighting Code is voluntary and, it is argued by our councils, not complied with by at least one of the suppliers). Pricing should be based on clear, timely and open disclosure of costs which can then be properly compared with utilities in comparable jurisdictions.

The regulation regime should also include the random auditing of the distribution network by an independent Auditor that would identify the type and number of light fittings and associated equipment, and their condition across the network. This would enable the determination of appropriate charges based on the level of compliance with the agreed service levels.



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