

26 April 2002

Director Energy  
Electricity Undergrounding in New South Wales  
Independent Pricing and Regulatory Tribunal  
PO Box Q290  
QVB Post Office NSW 1230

Dear Ms Towers

Submission on IPART Interim Report to the Minister for Energy

I refer to your request for submissions on the Interim Report to the Minister for Energy on Electricity Undergrounding in New South Wales.

Thank you for providing the opportunity to make a further submission to the Tribunal. I note that this submission suggests issues and approaches for inclusion in IPART's final report to the Minister.

It is appreciated that accurate cost estimates have been difficult to determine. Accordingly, this Council agrees with the NSW Local Government and Shires Associations position that pilot projects will help benchmark costs and identify the best approaches to the technical issues that arise. At a recent meeting of the Department of Energy Technical Reference Group, Blacktown City Council's representative indicated a willingness to participate in a pilot undergrounding electricity project.

It is understood that the project to underground electricity cables has bi-partisan parliamentary support. Further, there is strong support from the community as evidenced in letters to the local press and responses from talk back radio. It is disappointing that IPART's Interim Report employed inconclusive and vague economic theory to justify highly qualified support to the undergrounding of electricity in New South Wales.

The report's value judgement that property owners are the main beneficiaries of the unquantifiable benefits is not supported by evidence. A more realistic judgement would be that the whole community is the main beneficiary. Additionally, the report's recommendation to provide for groups of individuals to 'opt out' is considered impractical. The mechanism would be cumbersome and costly to administer. Can any other utility infrastructure be cited where adjoining property owners are asked if they wish to 'opt out'? Subsequently it is suggested that the report should delete all references to 'opting out' as this provision would impede implementation of this 'once in a lifetime' opportunity to upgrade the urban network

with 'best practice' technology and design. Clearly the demonstrated community support for the project justifies a 'whole of community' approach being taken.

It is also suggested that the Interim Report requires significant amendments to proposed funding and financing arrangements. The financing issue was overlooked in the report and should be addressed. The forty year time frame for replacing old electricity cable infrastructure provides the opportunity to explore a range of affordable financing options for customers. It is essential that the adopted funding and financing approach does not undermine the preferred optimised design approach to replace the overhead system. The report correctly identified the optimised approach as best to deliver substantial cost savings.

The optimised wide area network design is also best placed to facilitate energy efficiency and emergent new technology. The Final Report should state the need to plan for customers future needs. For example, an expert consultant Mr Budde has announced advanced research in Australia and internationally into the use of electricity cables for broadband telecommunications. The opportunity to improve street lighting with highly energy efficient lights should be addressed in the report.

The report's preferred funding option is not supported by this Council and is unlikely to receive support throughout the community. The recommendation that local government rates or levies be used to fund 80% of the infrastructure costs is considered impractical and inequitable. It is impractical due to local government rate-pegging legislation. It is inequitable as the recommendation fails to take into account the avoidance of payment of local government rates and charges by electricity DNSPs through statutory exemptions. The exemptions amount to an existing subsidisation by property owners who do not enjoy such exemptions of local government rates and charges. The unsubstantiated and false assertions about the unquantified benefits allegedly received by property owners should be deleted from the Final Report.

The Interim Report fails to mention that many former County Councils such as Prospect County Council had established sinking funds for the undergrounding of cables. What became of these funds should be addressed. The report should also acknowledge that each year millions of dollars in dividends are paid by electricity distributors to the NSW Treasury. It is considered that an equitable and ethical approach is for the owners of electricity and telecommunications infrastructure to fund undergrounding of cables.

This basic responsibility should have been accepted when the State Government decided to take over the assets of electricity distributors. Accordingly, the final report should therefore recommend industry self funding and self financing.

Should you require any further information regarding the submission, please contact the person named below.

Yours faithfully,

IAN REYNOLDS  
GENERAL MANAGER

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**File No.: 6-8-579/3**