

electorate office 58 Oxford Street Paddington NSW 2021

phone 02-9360 3053 • fax 02-9331 6963 • www.clovermoore.com • email clover.moore@parliament.nsw.gov.au

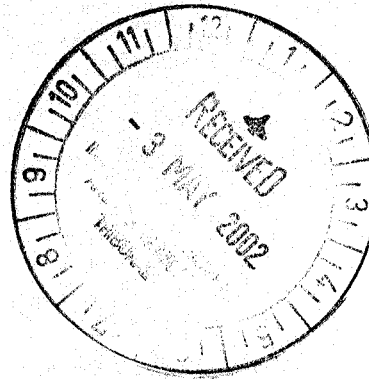
Member for

IPART	
Doc No.	File No.



30 April 2002

Mr Thomas Parry
Chairman
Independent Pricing and Regulatory Tribunal
PO Box Q290
QVB Post Office, NSW 1230



Dear Mr Parry

**Electricity Undergrounding in New South Wales
Interim Report to the Minister for Energy**

I enclose a copy of my letter to the Minister for Energy following the IPART public forum on its interim report on electricity undergrounding in NSW.

Could you please accept this as a submission to IPART on the interim report and respond to the issues raised that are covered by the IPART terms of reference?

Yours sincerely

Clover Moore
Member for Bligh

Clover Moore

Member for BLIGH

electorate office - 58 Oxford Street, Paddington, NSW 2021

phone 02-9360 3053 • fax 02-9331 6963 • www.clovermoore.com • email clover.moore@parliament.nsw.gov.au

Doc No

IPART
File No



30 April 2002

The Hon Kim Yeadon
Minister for Energy
Level 34, Governor Macquarie Tower
1 Farrer Place
SYDNEY NSW 2000

COPY

Dear Minister

IPART INTERIM REPORT ON UNDERGROUNDING CABLES RESPONSE BY CLOVER MOORE MP

I attended the public forum on Friday 19 April 2002 organised by the Independent Pricing and Regulatory Tribunal (IPART) of NSW to consult on its interim report on the review of the costs, benefits and funding for undergrounding electricity cables.

I am writing to you as Minister for Energy as a number of the key issues raised at the forum and by the interim report appear to be beyond the scope of the IPART inquiry and need to be addressed directly by you and the Government Steering Committee.

IPART PUBLIC FORUM

I appreciate opportunities for public input, but came away from the forum with the impression that the inquiry has been set up to fail, despite the clear directive from the Premier that an achievable plan be developed to remove overhead power cables.

There was a clear conflict at the forum between the audience, which was predominantly supportive of undergrounding cables, and most of the presenters and panellists, who showed some limited support for the project as long as they did not have to pay.

A central stimulus for this project is residents' concern about degradation of the urban environment, an issue assessed as largely "unquantifiable" in the interim IPART report. Panellists seemed generally uncaring about the destruction of street trees.

Mr Peter Downey of Sydney Cables Down Under (SCDU) and Mr Warren Taylor of the Local Government and Shires Association (LGSA) received an enthusiastic response from forum participants for their strong support for undergrounding.

The breadth and depth of community concern about the issue may not be fully appreciated by IPART. I have been told that a forum participant overheard a presenter comment that the forum had been stacked by SCDU. Mr Peter Downey tells me that only five people in attendance were members of SCDU and that most participants were previously unknown to him.

I am particularly concerned that the IPART forum frequently appeared to be exploring *whether undergrounding should occur, rather than how it can be achieved*. I acknowledge that this situation was caused in part by limitations in IPART's Terms of Reference.

RESPONSE TO IPART INTERIM REPORT

The interim IPART report into electricity undergrounding in NSW responds to the Terms of Reference to identify the costs, benefits and funding options for undergrounding electricity cables in NSW. While it provides a useful contribution, the interim report is uninspired and its value is severely limited by its Terms of Reference.

I strongly support the planned replacement of the current system with new technology, as outlined in the “optimised” approach proposed in the IPART report. Even without the reported cost savings, effective long-term planning must lead to a purpose built new system, including improved telecommunications infrastructure, not just replication underground of current overhead system.

I am concerned, however, that ***the economic case in the IPART report does not adequately address community concern*** about overhead cables and is flawed by the lack of data in key areas, including significant “unquantifiable benefits”.

I am also concerned that ***the IPART report selectively uses economic and financial arguments to justify a preconceived approach to funding*** that predominantly benefits the commercial interests of energy providers and telecommunications companies.

(A) COST-BENEFIT ISSUES

Development of an achievable plan to underground cables must not be derailed by excessive reliance on an economic case that IPART acknowledges has substantial “unquantifiable” factors. There are a lot of values that we have as a civilised society that cannot be measured in economic terms.

I am concerned that the report barely addresses “unquantifiable” amenity and safety benefits that accrue to the broader NSW community. While the issues cannot be reduced to straightforward dollar estimates, it appears that IPART has not pursued any indicators to help balance the economic case. As a majority of the “quantifiable” factors are cost/benefits for the energy and telecommunications industries, the economic analysis is fundamentally biased toward the data recorded and provided by these commercial organisations.

The cost-benefit analysis needs to be oriented toward the perspective of NSW residents, not industry savings. If we get this project right, the whole community will benefit.

While I acknowledge that IPART has so far provided only an interim report, I believe a number of cost/benefit issues have not been addressed or have been inadequately addressed:

- No consideration has been given to employment opportunities, comparable to the arguments put forward to support Olympic and post-Olympic construction projects.
- The risks faced by emergency workers, and resultant costs for workers compensation, health services, or the social security, have not been incorporated. State Emergency Services workers put their lives at great risk when they go out after a storm.
- No consideration has been given to the air pollution reduction benefits provided by trees oxygenating and improving air quality.
- Issues related to increased safety through design, such as opportunities for improved lighting and public space, and the associated current costs for police, courts or health services, appear to have been given no consideration.

(3)

- The figures for tree trimming appear to be significantly underestimated and may not include all relevant costs for energy companies, local councils and other government authorities. There appears to have been no consideration given to the costs of aerial bundling of cables (ABC) programs, which are predominantly designed to reduce tree-pruning impacts.
- The increased reliability of a purpose built underground system may be significantly underestimated. SCDU research indicates that the reliability of underground power supplies increases by a factor of four to five.
- Costs on private industry due to blackouts may have been inadequately taken into account, as information is not available. SCDU's attempt to collect information on costs such as spoiled food, loss of work, lost income and alternative energy generation have been limited by privacy, commercial-in-confidence, and lack of records.

(B) FUNDING OPTIONS

The scope of the project and the funding method used are the keys to successfully undergrounding NSW's archaic overhead cable infrastructure. The issues are inseparable: the project must be comprehensive and the funding method must be transparent, straightforward, and include a component of social equity for persons on low incomes.

The IPART report appears to summarily dismiss the "polluter pays" or "impactor pays" approach in favour of a "user pays" or "beneficiary pays" approach.

Fundamental to the groundswell of community support for cable undergrounding is the recognition that overhead cabling degrades our urban environment and puts human lives at risk. The increasing opposition to overhead cabling is comparable to the realisation that industrial waste must not be dumped where it puts lives and the environment at risk. This is a question of whether a polluting industry should be permitted to continue its activities on the grounds that it has inherited an archaic infrastructure.

Underground cabling is improved technology within an industry that, as a monopoly, is able to retain archaic overhead cabling. Where genuine competition exists, consumers adopt technologically superior products. Individual consumers do not have a choice with overhead and underground cabling, as this **is** an "all or nothing" infrastructure. The industry that continues to maintain this infrastructure has a direct interest in externalising the costs to preserve its "bottom line".

The Government needs to regulate for and manage the transition to underground cabling, taking advantage of the available opportunities for improved technology (an optimised electricity network and enhanced telecommunications infrastructure). As with the transition from analogue to digital mobile phones, this may involve the early replacement of some assets.

Without a comprehensive and managed program, the current piecemeal approach to undergrounding will continue. This requires individual residents to mobilise the support of their local community and local council, negotiate a limited undergrounding project if they can afford it, and accept the continued use of overhead cables in other areas. This approach dramatically increases the cost as economies of scale are lost, and the benefits accruing to the whole NSW community are diminished.

The "opt out" approach recommended in the IPART report makes a nonsense of the benefits that accrue to the whole NSW community, rather than being localised to an area that "opted in". An "opt in" approach assumes some people will pay for benefits that accrue to other people who do not pay anything. You don't have to be driving in your own neighbourhood to have

a deadly accident; or to be kept alive by the absence of an unforgiving pole. I am also concerned that this "opt in" approach will function to further entrench social disadvantage by retaining unsafe, unreliable and environmentally degrading infrastructure in some areas.

I strongly oppose levying a "user pays" charge via local government rates, which is recommended in the IPART interim report as the preferred funding mechanism. It is particularly disturbing that a central role for local councils could be pursued while the LGSA is excluded from the Government Steering Committee.

This approach is unnecessarily complex and could be perceived as transferring to local councils any political flack over a new tax. The project will become unacceptably complex and politically difficult as soon as individual consumers are asked to pay lump sums via a new tax from a body such as local councils that are not involved in the energy/telecommunications industry.

I restate the position on funding from my submission to IPART of 11 February 2002:

The preferred funding option requires Energy Australia to incorporate undergrounding in the costs of maintaining modern electricity supply, rather than claim profits derived from operating an unreliable and antiquated service...

Energy Australia's annual reports show that this corporatised authority has profits of over \$300 million. The 1999-2000 profit after tax increased \$174 million over the previous year, allowing for an after tax dividend to the Government of \$184 million, \$26 million above the forecast. The NSW State budget figures for 2000-01 show that the Government derived a \$364 million dividend from the energy industry as a whole and an additional \$205 million in income tax equivalents. That was a windfall of \$120 million over projections.

Those profits, which were derived from the community, should be returned to the community through an infrastructure upgrade that places electricity cables underground for good. A proportion of the costs could also be allocated to other industries that benefit from the use of archaic above ground cabling.

Alternatively, Sydney's powerlines could be buried without cost to government and with a small levy on consumers over a set period. There is strong support for the undergrounding of aerial cables and the community may support a levy if the cost cannot be incorporated into ongoing infrastructure maintenance and renewal costs. However, as energy is a basic essential service, any levy must not place an unacceptable burden on low-income residents.

Sydney Cables Down Under estimates that, in a project of 30 years duration, a cost or levy of less than \$1.60 per consumer per week, which may be applied directly to the consumers' electricity account, is viable, and would be cost neutral. The Federal Government report found that a project of 20 years duration with a construction period of 25 years would cost consumers less than \$20 per quarter.

Possibly a BOOT scheme (build-own-operate-transfer), currently used for bridges and tunnels, could be explored. Where a private owner would build the ducts, lease them back to the systems owner, and then transfer back to the system owners after a number of years. Levies and tolls have been used for specific purposes before, such as the fuel levy to improve roads, and the environmental levy on the quarterly water account to clean up the beaches and waterways.

CONCLUSION

The cost-benefit-funding analysis undertaken by IPART is only one component in making a decision about the best way to underground cables in NSW. This is a political decision and a matter of government policy for the long-term benefit of all NSW. Major international cities such as London, New York, Rome and Paris can't have all been wrong when they undergrounded

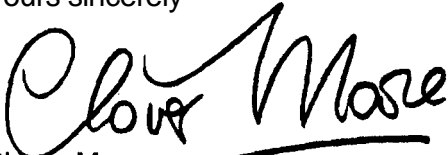
their cabling infrastructure.

It is essential that there be balanced representation of the community's concerns on the Government Steering Committee, which will make recommendations to you on an achievable plan. As raised at the IPART public forum with Mr Brian Steffen, Acting Director General of the Ministry of Energy and Utilities, I ask that you appoint Mr Peter Downey from SCDU and a representative from the LGSA to the Steering Committee.

As previously discussed with Mr Steffen during a meeting in March 2002, I also ask that the Steering Committee consider a pilot project in Bligh to work out the unique technical and practical issues for this historic, densely populated, inner city area.

It is up to the Government to champion the long-term social and environmental benefits, particularly the important issues described by IPART as "unquantifiable" — improved public amenity, improved public and wildlife safety, increased electricity network efficiency, and reduction in health risks.

Yours sincerely

A handwritten signature in black ink that reads "Clover Moore". The signature is fluid and cursive, with a long horizontal stroke at the end.

Clover Moore
Member for Bligh

cc Mr Thomas Parry, Chairman, Independent Pricing and Regulatory Tribunal
Mr Peter Downey, Sydney Cables Down Under
Clr Peter Woods, President, Local Government and Shires Association
Mr Brian Steffen, Acting Director, Minister of Energy and Utilities