

Mayor

01/0798

1 February 2002

Mr Thomas G Parry
Chairman
Independent Pricing and Regulatory Tribunal
PO Box Q290
QVB POST OFFICE NSW 1230

Dear Mr Parry

Re: IPART Review of Undergrounding Electricity Cables in NSW

I refer to the subject review under Section 9 of the Independent Pricing and Regulatory Tribunal Act 1992 in identifying the costs, benefits and funding for undergrounding electricity cables in urban areas of NSW.

This Council welcomes the review and supports a vision to have all overhead power lines and telecommunication lines underground.

Please find attached Council's submission to the Tribunal, however, it should be noted that Council is currently in recess and requests the right to make a supplementary submission following the Council's recall from recess in February after the closing date for submissions.

Council will look forward to consultation and the public workshops in April 2002 and further comment on the Tribunal's interim report.

Yours faithfully

Cr Laura Bennett
MAYOR

SUBMISSION BY
KU-RING-GAI COUNCIL
TO THE IPART REVIEW
OF THE COSTS, BENEFITS AND FUNDING
FOR UNDERGROUNDING ELECTRICITY CABLES

Council makes the following submission to assist IPART in its enquiries and in response to the following Terms of Reference.

“This review is to be conducted by the Independent Pricing and Regulatory Tribunal (IPART) under section 9 of the *Independent Pricing and Regulatory Tribunal Act*. The review is to identify the costs, benefits and funding options for undergrounding electricity cables in NSW. In considering these matters, the Tribunal shall have regard to:

1. The level of capital expenditure required for putting electricity distribution cables underground in NSW urban areas (including Sydney and regional centres);
2. The feasibility of undergrounding electricity cables with other utility services including telecommunication, and any economy of scale that can be achieved;
3. A comparison of the costs associated with maintaining the current network compared to undergrounding;
4. The types of costs which are avoided as a result of undergrounding;
5. The distribution and timing of benefits to those who benefit including an appraisal of the overall public benefit to the wider community;
6. Options for funding undergrounding projects having regard to:
 - improvement to the urban environment and public amenity
 - reliability of electricity supply
 - types of undergrounding projects including main roads, CBD/regional centres, shopping centres and residential streets
 - impact on electricity pricing
 - those who benefit and those who pay.

7. The impact on customers and in particular any differential impact on rural or urban customers, pensioners and low income households.”

Council has assessed the current cost of undergrounding electricity cables in this Council area as approximately \$66,800,000. This is based on a road length of 472 kilometres and a rate of \$140 per metre.

Whilst the infrastructure costs associated with undergrounding electricity and telecommunication cables appears high, the government should foresee the community benefits which can come from a particular course of action where pure economic considerations may present an argument to do otherwise.

The Tribunal’s attention is drawn to widespread objections by local government and the community to the paid television aerial cabling during 1996 and 1997 and the associated Amendment to the Telecommunications Act 1997 to cause the establishment of a Working Group for putting cables underground.

The report of the Working Group entitled ‘*Putting Cables Underground – Report of the review of options for placing facilities underground as required under Clause 49 of Schedule 3 of the Telecommunications Act 1997*’ was tabled in Parliament on 8 December 1998. Forty-four findings are contained within the reports, the most significant of which include:

1. The total cost of putting existing overhead electricity and telecommunications cable underground in urban or suburban Australia was estimated at approximately \$23 billion representing an average of \$5,516 per household.
NB: This estimate is for the undergrounding of both overhead electricity and telecommunications cables.
2. The total quantifiable benefits of putting cables underground include:
 - reduced losses caused by electricity outages;
 - reduced network maintenance costs;
 - reduced tree pruning costs;
 - impact on property values;
 - reduced electrical transmission losses;
 - reduced greenhouse gas emissions (due to reduced transmission losses);
 - reduced electrocutions;
 - reduced bushfire risks;
 - any beneficial indirect effects on the economy such as employment; and
 - reduced motor vehicle collisions with poles.

3. The net quantifiable financial benefit of undergrounding cabling was estimated at between \$1,141 and \$5,736 per kilometre of line attributed to the following factors:
 - Reduced maintenance costs.
 - Reduced tree trimming costs.
 - Reduced transmission losses
 - Reduced motor vehicle accidents.
4. From a list of forty-eight potential sources, the Working Group identified four underlying sources of funds for the relocation of cables underground, namely:
 - Property owners.
 - Electricity and communications suppliers.
 - Tax payers.
 - A composite funding source comprising property owners and tax payers through consolidated revenue.
5. There is a need for appropriate environmental management strategies in any programme to put cables underground.
6. Any undergrounding of cabling should provide additional duct space to enable future users access to underground connections.

Notwithstanding the recommendations, there remains no commitment by Federal or State governments to finance the cost of placing cables underground. The matter has been left to local government and public lobby groups such as Sydney Cables Downunder to actively pursue and to identify local costings. Such an exercise could unrealistically raise community expectations in the event that finances were not made available to relocate the utilities underground.

The financial benefits identified in the report of up to \$5,736 per kilometre of line undergrounded excludes an estimate of the benefits attributed to:

- the impact on property values;

- reduced greenhouse gas emissions;
- reduced electrocutions;
- reduced bushfire risks; and
- any beneficial indirect effects on the economy, such as employment.

In addition there are obvious benefits related to the potential to utilise this opportunity to implement improved technology which can lead to lower maintenance and environmental gains.

The Premier's News Release of 28 November 2001, clearly places in perspective the fact that the NSW Government accepts that putting overhead power cables underground will reduce:

- power failures following storms;
- network maintenance costs;
- electrocution;
- bushfire risks; and
- car accidents with poles.

The benefits are obviously significant and have been never more emphasised than in the recent storm events when there were substantial disruptions to power supply as a result of storms and bushfires.

Please find **attached** to this submission a letter from Energy Australia dated 16 January 2002 in response to Council's letter on power outages mostly caused by tree branches falling onto power lines. This letter highlights the causes of power outages.

One of the major savings for Councils and for the community in general would be the ongoing costs associated with tree pruning as required by Section 48 of the Electricity Supply Act and the guidelines for clearances around power lines as determined by the Ministry for Energy.

Also **attached** is a copy of a letter received by Council from Energy Australia dated 16 July 2001 relating to the annual costs associated with vegetation management. As can be seen in the attached letter, the demand for cost for vegetation management equates to \$2,164,272 for a three (3) year period.

Preliminary costings by Council should it desire to undertake line clearing and overall vegetation management of trees around power lines is estimated at \$1,584,000 per annum. This is based on an allowance of \$40 per tree and an estimated 36,000 trees requiring attention.

The indirect costs associated with line clearance work are as follows:

- staff costs associated with consultation and inspection of works
- staff costs associated with complaints handling
- staff costs associated with preparation of reports to Council, letters to residents and communications with energy suppliers.

As can be seen from the above issues, the savings and benefits to the community and Council would be significant if cables were placed underground.

Benefits directly related to the community would be improved streetscapes, more regular power supply and less risk of bush fires.

Savings in insurance premiums, savings in the provision of medical services, savings in compensation payments, savings in reduction of business losses and savings in maintenance and repair costs do not overtly provide a cash flow for funding the undergrounding of electricity cables. The avenues for savings however, provide a significant opportunity for the Tribunal to prepare a feasible funding proposal based upon the acceptable principles of equity of the distribution of the burden and ease of collection.

It is unrealistic to expect that the residents of a local government area individually would pay to relocate utility services underground. Consideration must be given to a co-operative approach by all spheres of Government, Federal, State and Local. Alternative funding sources must be found to remove this urban blight. There are obvious difficulties from a Federal perspective in that any charges must be levied across Australia as a whole, however, the Federal Government should be encouraged to consider the distribution of funds specifically for this purpose, whether by grant or otherwise. This however may be beyond the Terms of Reference or the authority of the Tribunal but should still be canvassed.

However, Council believes the onus lies with the State Government to initiate a program for funding the undergrounding of cables. The State Government is in a better position to impose direct taxes or levies to fund the undergrounding of cables.

The process should commence as soon as possible to develop a sinking fund with a long term aim of undergrounding all electricity and communication cables.

Preference should then be given to commence the undergrounding of cables in areas that have high incidents of power outages and vegetation management costs associated with line clearances.

Given the Premier's commitment to this worthwhile exercise, it is important that the State Government take the lead to fund and commence the process of undergrounding cables.

The State Government identified the need to undertake an exercise of undergrounding electricity power lines associated with the Olympics and saw the positive benefits of such an exercise.

Reliability of power supply has its obvious benefits and undergrounding in one area can still benefit the whole community.

Potential sources of revenue that should be considered by the Tribunal include:

- general insurance
- car registration charges
- levies on electricity consumers
- street lighting savings resulting from deregulation
- Section 94 developer contributions or powers to force undergrounding in street frontages associated with major development sites.

Council wishes to express its concern in the limited time available for the preparation of a submission and would appreciate the opportunity to make a supplementary submission later this month.

The Tribunal's interim report, if properly progressed with an interim draft plan, will provide a real opportunity for comment upon a feasible, alternative, which can be anticipated to have the potential to receive full government support.

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