



LOCAL GOVERNMENT and SHIRES ASSOCIATIONS of NSW

GPO Box 7003 SYDNEY NSW 2001 • 215 Clarence St SYDNEY NSW AUSTRALIA
Phone (02) 9242 4000 • Fax (02) 9242 4111 • E-mail lgsa@lgsa.org.au

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

Dear Mr Parry

Review of the Costs, Benefits and Funding for Undergrounding Electricity Cables

The Associations thank the Tribunal for the courtesies provided for the Associations to outline the Local Government perspective on your Interim Report to a public forum held on 19 April 2002.

A submission responding to the Interim Report is attached.

The Associations would be pleased to verbally amplify any issues should this be considered appropriate.

Yours sincerely

Cr Peter Woods OAM
President
Local Government Association of NSW

Cr Mike Montgomery
President
Shires Association of NSW

Submission

Electricity Undergrounding in NSW

Introduction

Vegetation

For some years, the Associations have stressed the inequity of councils being expected to undertake control of introduced vegetation growing into overhead electricity supplies.

A separate issue relates to the undergrounding of electricity cables.

The Premier of NSW has now linked these two issues. In a letter to the Associations on 27 February 2002, the Premier said

“My government is aware of the concerns the LGSA has regarding the cost recovery for tree trimming services carried out by distributors. Accordingly, my colleague the Hon Kim Yeadon MP, Minister for Energy, has asked the Ministry for Energy and Utilities to investigate the matter.

The Ministry is currently consulting with distributors, local councils and other stakeholders on the issue of tree maintenance. I encourage the LGSA to contact the Ministry to put forward its views. Ms Elsie Choy, Executive Director, Energy and Utilities Policy, Ministry for Energy and Utilities, may be contacted on (02) 9901 8701.

My Government is also actively working toward instituting a program to increase the number of underground cables in NSW. I have asked the Independent Pricing and Regulatory Tribunal to work with the Minister for Energy to examine the feasibility of placing cables underground. I am advised that increased underground cabling is likely to substantially reduce the costs of tree trimming for distributors and councils.”

Without revisiting previous concerns, the Premier was responding to the Association’s lengthy but relevant submission about the differing standards, requirements and practices adopted by energy distributors in NSW.

The submission dated 29 June 2001 is Attachment 1.

The Submission has relevance because the IPART Interim Report has given extremely little regard to tree vegetation costs in the avoided maintenance section of the Unqualified Benefits in the Report.

Undergrounding

The Associations have been pressing the State Government for a substantial number of years to progressively underground electricity supplies.

For many years, distributors have had the technology to underground services, and it has been a commercial decision to provide supplies by aerial means. The community and Local Government have been providing a considerable subsidy by tolerating aerial distribution in public areas.

Until the Premier recently intervened by announcing a major review of policy with a formal review to be concluded by June 2002, the Minister for Energy and Utilities consistently declined requests to consider any obligation on a distributor to initiate undergrounding.

Considerable debate at Annual Conferences of the Associations concluded that the Government initiate undergrounding requirements on distributors, and the Annual Report of the distributor be required to report on the extent of undergrounding achieved each year.

This performance reporting request was similarly rejected.

IPART's Interim Report

The Terms of Reference observed by IPART revolve around the questions of:

- costs
- Benefits
- Funding Options

- **costs**

The Associations compliment the Tribunal in identifying a range of cost factors faced by retrospective undergrounding.

The public forum on 19 April 2002 expressed the fear that costs outlined appear to be largely theoretical and based on a series of exercises unrelated to the challenges of actual works design, adoption of modern technology, and use of revolutionary materials and concepts.

The Associations have a positive outlook to the question of selecting a range of undergrounding projects to proceed as soon as possible in a range of typical complex locations, to assess and record performances, costs, outcomes and the public benefit.

Local Government has had less than one month to nominate probable projects, but considerable discussion has already been held between councils and electricity distributors to compile schedules of possible works.

- **Street Lighting**

The PART Report provides a shallow commentary on street lighting.

The Australian Standard for Street Lighting is not uniformly adopted by Local Government in NSW.

Modern high technology poles and lanterns are not consistently used, other than in CBD and main road areas.

The removal of all power poles, telecommunication poles and associated equipment, to be replaced by street lighting poles "each 50 metres of roadway" is an assumption that cannot be accepted as realistic.

Factors requiring further study include:

- **Ownership of street lighting**

The vast majority of street lighting assets are owned by electricity providers. Lighting in public areas that are not road reserves are now commonly owned by Councils. This is the historical result of the origination of the electricity distributors as parts of local government. Whether that ownership arrangement is appropriate if the energy distributors became privately owned is a policy matter for Government, and that consideration may be a factor in these matters. The need to replace street lighting brings into question the lighting standards and ownership arrangements, and these are Government and Local Government policy matters.

- **Quality of street lighting**

It may be assumed that much of the existing street lighting does not conform to the Australian Standard. Councils cannot determine what conforming with the standard would mean in terms of more street lighting infrastructure, because all the expertise/knowledge of street lighting resides within the electricity distributors. But suffice to say, there would be a significant increase in the investment in the street lighting asset, and a significant increase in the cost of operation and maintenance if all street lighting was upgraded to the standard, despite the introduction of more efficient and environmentally improved equipment.

Questions that arise about the quality of street lighting include:

1. What will applying the Australian Standard mean in costs – initial and ongoing?
2. Does street lighting have to meet the Australian Standard, and what are the implications if a lower standard is adopted? This is also a public risk issue, and a lower quality may need to be legislated to protect all from litigation. Heritage areas and community quality of life are issues to consider.
3. And from that answer – What standard is to be applied?
4. If the on-going cost of street lighting (capital, maintenance, energy) is to increase, how will local government fund it?

• **Future Ownership of Street Lighting**

Many Councils would like the ability to better dictate the terms of the service for street lighting, rather than the current arrangements. Contestability should certainly be available for the entire street lighting services. These issues would require that the asset ownership transfers to local governments.

Local Government and Government will need to determine a policy position for:

- the ownership of lighting
- the standards of street lighting to be installed
- the financing of the forward cost of owning and operating new street lighting.

Government will also need to consider those same issues, and the extent of contestability of street lighting services.

The IPART report must be extended to include recommendations on these vital street lighting issues, and the extent of street lighting contestability.

The Associations consider that the entire street lighting activity must be made fully contestable.

• **Tree Planting, Landscaping, Street Beautification, Public Amenities**

The removal of power and telecommunications cables and poles will provide an enhanced ability to beautify public areas.

Landscaping, tree planting schemes, replacement of public amenities such as drinking bubblers, bus shelters, conveniences, etc will require design, capital expenditure and long term maintenance. These activities are clearly part of the project and should be costed.

• **Tree Management**

The absence of power lines sensitive to introduced trees may not necessarily mean that trees will continue to grow unchecked.

Part of the current unresolved controversy on tree management sees costs temporarily met:

- Partly by councils for some introduced trees in some areas
- Partly by energy distribution for both introduced and naturally sown trees, that currently have a high priority for lopping and removing.
- Accumulation of uncontrolled growth of trees in all categories that will soon require considerable management.

Costs currently met by Local government and energy distribution are not known but are substantial. Not all of these costs can be attributed as Quantified Benefits, and must be included in costings as a realistic hazard requiring resolution. There are many community complaints about the low pruning standards displayed by the contractors engaged by some energy distributors. Significant community damage has resulted, with no real outcome assured. These problems are regarded as additional unquantified costs not outlined in the Interim Report

● **Ability to Locate Services Underground**

The Dial Before You Dig representative at the Public Forum expressed professional concerns that the complex location of other existing underground utility services may cause significant co-location problems.

Selection of appropriate sections of existing public areas and practices necessary to install electricity and telecommunications services underground will require a sensitivity in CBD areas not recognised in the PART Report.

The Associations are founding partners of Dial Before You Dig and agree by way of constructive evaluation, that the Report needs to acknowledge this as a cost factor.

● **Substations, Kiosks etc.**

An assumption has been made in the PART Report that substations, kiosks and other essential plant will no longer be required.

Local Government in many areas requires substations to be located on private property, to minimise alienation of public footpaths for utility structures use.

A design cost or reluctant continuation of aerial substations needs to be addressed as a technical issue. The collective view of Local Government on this issue has not yet been determined.

● **Funding and Financing**

The Terms of Reference provided to PART cover a range of costing issues, but deserves to include Financing considerations.

The PART Report would be an improved management tool to the Government if PART volunteered Financing recommendations.

Benefits

The Associations compliment PART for the clarity of describing Benefits of undergrounding under the headings of

- Unquantifiable benefits, and
- Quantified benefits

The following concerns are recorded:

Unquantifiable benefits

Greater recognition should be given in the Report to:

- Reduced electromagnetic radiation
- Environmental and ecological sustainability
- Considerably increased employment opportunities
- Flow on of economic community benefits
- Encouragement to Australian industry, suppliers, manufacturers and maintenance providers
- Carbon credits have the potential to increase through opportunities for retaining pristine tree areas, and areas that currently suffer from unsympathetic regular tree pruning.
- OH&S issues for tradesmen, users and the general community will be minimised.
- Emergency services workers and volunteers will benefit from a reduction in hazards

Quantified Benefits

- Avoided maintenance costs include avoidance of tree maintenance

As outlined earlier in this submission, the question of vegetation management, emergency tree lopping and long term planning and education for future tree planting schemes and their maintenance have been significantly understated in the IPART report.

Costs paid by councils, energy distributors and accrued costs for the back log of tree lopping/removal not yet addressed pending the current reassessment, are realistically twice the 22-25 percent estimate provided by consultants to PART.

The Associations consider that tree management avoided maintenance costs are at least 50 percent. Actual costs are not available but don't appear to even cover tree trimming costs borne by Energy Australia. These costs are substantial.

Criteria for assessing data

Comparisons made throughout the Report do not appear to be consistently comparing like for like.

The following terms are used in various parts of the report or attaching documentation:

- Net current value
- Discounted cash analysis
- Before and after
- Savings generated during the transition or construction phase.

The Associations consider that formulae used should be reworked to ensure that the final report comes to logical consistent conclusions, readily understood by the community.

Road crash statistics would appear to be taken from an RTA report dated 1996. Statistics provided by the Commonwealth Bureau of Transport and Economics in 1998 and May 2000 indicate a significantly higher volume of crashes involving power poles.

The opportunity should be taken to secure the latest possible data for incorporation in the final Report

Funding Options

The Associations submit that the recommended option recommended in the Interim Report is entirely incorrect and fails to grasp the philosophical situation about provision of sustainable infrastructure.

The Interim Report identifies a range of quantified benefits, which the Associations have established are undervalued in the areas of avoided (tree) maintenance costs and vehicle collisions with poles, greater reliability during storms, fires and other emergencies.

The unquantified benefits are also significantly undervalued (amenity, public environmental benefits, wildlife, OH&S reductions etc).

Many other agencies share the benefits, yet the report suggests that Local Government Local Government should finance 80 percent of the funding.

Local Government in NSW has been faced with rate pegging since 1977. Councils cannot increase their total rate collections by more than the percentage announced by the Minister for Local Government. The rate pegging limits for recent years have been

- 2000/2001	2.7%
- 2001/2002	2.8%
- 2002/2003	3.3%

These minor increases do not cover real costs, wage costs, State Government charges and other unavoidable increases. Both the Government and the current Opposition are firmly committed to a continuation of rate pegging, even though the Associations are currently finalising a submission for a transparent costings of nominated cost factors to be shown in the pegged increase.

Provision exists upon special application and a public meeting to receive approval for justified rate increases beyond the pegged amount, but these variations are relatively insignificant in quantum, and difficult to obtain .

The Associations are conscious of the note appearing on page 5 of the Executive Summary that “further consideration needs to be given as to how undergrounding...could be funded through local rates or levies given that rate pegging applies in NSW.”

The Associations consider the recommendation to be unrealistic and on the balance of representative input to the topic, Local Government as the major stakeholder has no representation on the Undergrounding Steering Committee.

It is the Associations view that the charge should be raised as a transparent amount over and above monies that would otherwise be spent by energy distributors, and that offsets (savings, avoidable costs and other credits) be shown as a credit against the levy or charge. Law and Order, Education and Health services should not have funds diverted from these established services.

The charge should be applied as a State tax, and if this process was confirmed, Local Government would be most supportive. The process needs to be transparent, sustainable, and be socially equitable . This process will bring together the interest of various small agencies as well as the major stakeholders.

Pilot projects should proceed as a matter of urgency, based on high economies of scale and optimal design criteria.

The method of determining the specific jobs on which future public policy and funding will rest, requires urgent public information on selection criteria.

Criteria for pilot projects may not be a difficult process, but a transparent system other than a majority recommendation to the Government by members of the Undergrounding Steering Committee is a vital matter to be resolved.

The Associations are eager to see undergrounding become a reality and welcome a revised Report based on public representations made incorporating greater use of data and clarified methods of analysis.

The question of financing the project appears to be outside the IPART Terms of Reference, but the public record should be complete by proposals being open for public scrutiny.