

Manly Council



26th April, 2002
Reference: JWH:FM S31/3
Enquiries: Mr. Jim Hunter

Independent Pricing and Regulatory
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Attention: Mr. Michael Seery
Programme Manager Electricity

BY FAX: 9290-2061

Dear Sir/Madam,

Re: Submission to the Independent Pricing and Regulatory Tribunal of New South Wales - Undergrounding Electricity Wires

I refer to the **Interim** Report from the Independent Pricing and Regulatory Tribunal relating to Electricity Undergrounding in New South Wales and make this submission on behalf of Manly Council.

As you will be aware, Council previously made a submission to the Inquiry, particularly in relation to avoided costs, environmental and amenity benefits and reliability of supply. Manly Council notes that the Tribunal has addressed these, however, would contend that "quantifiable benefits" of the undergrounding programme being quoted at some \$400 Million to \$480 Million over 40 years (in net present value terms) seems low.

In particular the reduced costs relating to motor vehicle accidents involving collisions with utility poles, etc. at \$230 Million to \$260 Million over 40 years seems low if one takes account of:-

1. The costs of repairs to the infrastructure.
2. The damage to the vehicles concerned.
3. The cost of medical treatment to those persons injured in those accidents.
4. The cost of processing claims for damages.

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5. The damages awarded **arising** out of those motor vehicle accidents.
6. The cost of insurance to provide public **liability** cover-

This presumably **takes** no account of the impact that such accidents **have** on the public purse **by** way of supporting members of the **families** of those injured or killed **in** motor vehicle accidents **and** their dependency on the public health system **and/or** social services system. The **cost** of treatment and rehabilitation of people **injured and** maimed in motor vehicle accidents is very high. The **cost** in **terms** of post traumatic stress disorder (**both** in dollar terms for treatment and in reduced productivity **is** a matter **which** Council believes needs particular consideration.

This is a **cost** which has **not** been **well** researched and perhaps **not** fully acknowledged at **the** present point in **time**.

Similarly, Council **also** feels that the costs associated with **maintaining** the overhead **network** are potentially undervalued at \$105 Million **over 40** years and there **seems to be** little or no acknowledgement that **outage and/or** interruption of energy supply **has enormous impacts** on **literally hundreds of thousands** of businesses whose productivity (and reliability of **information**) can be impacted to varying **degrees** by way of interruption of **energy** supply. There is a **growing** phenomenon of the "**home** office age" and literally millions of consumers rely on the internet to access for study **and work** from **home** purposes.

I doubt that there is any reliable **information as** to the **cost** of interruption of **energy** supply to **business and certainly** in our own organisation, it would appear that interruptions to energy supply sometimes causes **varying** degrees of interruption of the **Council's** computer network and that **documents are** temporarily inaccessible or documents which have been prepared **are** lost and need to be recreated. **In this organisation** that is part of the **Network** Managers function, however, there is no attempt to capture the cost of these interruptions and certainly there is no understanding (or assessment) of what the interruption of **energy** supply **means** to the losses in productivity of **the** various **staff** members (over 300 people) within the organisation.

A Sustainable Future

The issue of sustainability becomes ever more **compelling as** our society **drives** far environmental sustainability, **as well as** economic and social sustainability. There **can** be little question that the practice of undergrounding is really the **only** answer on environmental sustainability and on social sustainability grounds. It **would** appear that at this time there is a question **mark** over the issue of economic sustainability. However, **Manly** Council would **suggest** that difficult problems frequently do not go **away**, they **just** get bigger and that a strategy that at least **stops** the problem growing whilst effective alternatives are put in place **is** a prudent management strategy.

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It would **seem** that particularly in relation the **Sydney** metropolitan area, the life of the overhead network is probably at a critical time in its life cycle and that unless the network **is** put underground at this appropriate time within the life cycle, the reinvestment in the existing **form** of network **will** mean that the question of undergrounding is deferred for another 20 years on the basis that it **is** uneconomic to retire the asset **early in** its life **cycle**. **Manly Council** believes that much of the infrastructure in its area is probably **well** advanced in its life cycle and that in **general there** is a problem in maintaining the integrity of the **service**, particularly in relation to the issue **of trees** interfering with the network. Council would argue that at **some time** (sooner rather than later), the Energy **Authority** should stop mutilating street trees in the area and divert that **money** to the **undergrounding of** the network,

Council feels that the **costs** of maintaining the network clear of trees (either the expenditure **of the** Energy Authority or the expenditure of Councils) is enormous and that this interference **with** the trees is unnatural, particularly when it is reoccurring on a **12 to 18 month cycle**. Trees in nature are not subject to this intervention and it is **deleterious** to their form and function.

The cost of tree lopping to the **Energy** Authorities and to local Councils over a period of **40 years** **must be enormous** and Council seriously **questions** whether this has been taken into account. **This real cost is** quite separate and distinct from the **amenity cost** associated with mutilation **of** the trees.

Funding Options

Manly Council reads with interest the various funding options considered by the Tribunal and agrees with the notion that **some form of mixed funding** approach is the **best** option.

Council would argue that recovery of **costs from** individual electricity consumers via electricity charges is appropriate and that **when this is** further refined by **having** a differential charge applicable to those users **who will** get the benefit of undergrounding, that this is **an** appropriate **mechanism**.

Council would **also** argue that the option **of the State making** a contribution for urban undergrounding by reimbursing the **costs and gifting** the assets to the DNSP's is **also** justifiable on the **basis** that other State costs **will be** reduced, i.e. health and social service costs.

Council **would also make** the point that it **is Manly** Council's understanding that the State of New **South Wales** benefited considerably from distributions received from Energy Distribution Authorities **within** New **South Wales** and particularly from the **Sydney County Council** and its successes over a period of years.

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If energy consumers **have** been subsidising **State** coffers **by** this means over a period of years, it **seems** quite reasonable for **the** State to return the subsidy **by way** of contributing to undergrounding **and** at the same time in facilitating the undergrounding **actually** achieve further revenue **savings by** reducing **demands on** its other **services** (particularly in **health** and community services).

Prioritising

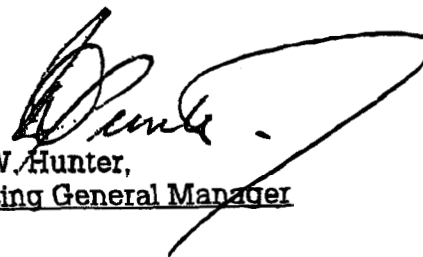
Manly Council feels that **the notion of a** property based charge levied **and** collected **by Local** Government **is** certainly not the way to **go**. **Council** **strongly** believes that the practice of **Councils is being** used for collection of revenues for **and on behalf** of the State in relation to **Planning** New South Wales activities and/or **Fire Board** Levies is fundamentally **wrong and the fact** that these **are** not rate pegged is **grossly** unfair to **Councils**.

Council does **feel**, however, that if property **owners** are **minded to** elevate the priority of their particular **undergrounding** programme **by making a** direct contribution, **that** this is not **a bad** thing. Clearly the State Government in its policy **decisions frequently makes** grants available in areas which it **wants to** encourage activity **and** that **such grants** encourage **Councils** in particular policy **directions**. If the **State** or Electricity Authorities **had** particular areas which **they** wished to underground **first** for whatever reason, it **may be** that the acceptance of a **higher charge** by the consumers for a **defined area is** in fact a practical and reasonable proposition (to put to **the consumers**).

Conclusion

The fact that so much of the network **within** New South Wales is in fact undergrounded at **the moment**, clearly indicates that it is a **desirable**, practicable and **sustainable** objective. **The only question** seems to be one of **cost**. **As** stated previously, **Council** strongly feels that **the** State and the consumers should be contributors to the **funding** and that the **notion of a** property **based** tax collected **by** Local Government is **not justified**.

Yours faithfully,



J. W. Hunter,
Acting General Manager

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