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Mr Michael Seery  
Electricity Capital Contributions Draft Report  
Independent Pricing and Regulatory Tribunal of NSW  
PO Box Q290  
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SYDNEY NSW 1230

19 November 2001

Dear Michael

Thank you for the opportunity for PIAC to comment on the Tribunal's Draft Report, *Capital Contributions for New South Wales Electricity Distribution Network Service Providers*, October 2001. As you may be aware, PIAC was a member of the Capital Contributions Working Group that was formed by the electricity industry consultation group and contributed to the recommendations made in the report to the Tribunal.

PIAC was unhappy with some of the financial outcomes for small residential consumers that were contained in the modeling as outlined in the Working Group's report. The dilemma for the Working Group was that the distributor members did not want to provide any uneconomic connections and if they were forced to provide these they wanted the Government to consider funding these connections as a community service obligation. PIAC had a fundamental problem with this as a solution, in that, the distributors as state owned corporations have a responsibility to exhibit a sense of social responsibility and exhibit a sense of responsibility towards regional development (*State Owned Corporations Act*, 1989).

The Working Group was also heavily weighted toward the views of the distributors that made it particularly difficult for other groups to express an opinion and counteract the assertion that the distributors should not have to pay for uneconomic connections.

PIAC was also interested in the idea that connection to the grid, despite all the costs involved, may not be the best environmental outcome for the community, especially when many households are not without an energy service, that is they have standby generators. We do appreciate, however, that standby generation may be unreliable. At the same time, there was no recognition by some community representatives on the Working Group that connection to the grid did not necessarily ensure that they would have a reliable supply. PIAC did take the view that the technology will improve for standby generation which may in the medium to long term solve the issue of the payment of capital contributions altogether.

So, the general rule proposed in the Draft Report that the costs of providing and installing the lines and equipment up to a defined point of connection to the network is appropriate. Once again, connection to the grid is not the only option for households for the provision of an energy service.

While we are unable to comment on the technical definition of a rural customer (outlined in 3.2.1 in the Draft Report), the Tribunal's premise that customers seeking such connections (and who will benefit from them) should be required to pay some of the additional costs they impose on the network is again appropriate. There are some protections for these customers as they will be able to be reimbursed and will have access to a dispute resolution scheme.

The one gripe that did come out in the Working Group's deliberations was that there was no longer a provision for customers to be reimbursed when the assets may later be used by other customers. The reintroduction of a reimbursement scheme as proposed in the Draft Report will go a long way to solving this particular problem.

If you have any queries about the issues raised in this correspondence, please do not hesitate to contact me on 9299-7833.

Yours sincerely  
Public Interest Advocacy Centre

*Trish Benson*

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