

# INDEPENDENT PRICING AND REGULATORY TRIBUNAL OF NEW SOUTH WALES

## Statement of Reasons for Decision

Matter: Integral Energy's application for price increases for the construction and maintenance of its public lighting business.

Application under clause 2.3 of the Regulation of Excluded Distribution Services Rule 2004/01.

### Details of Decision:

**Tribunal Member:** Mr James Cox (Chief Executive Officer and Full Time Member)

**Decision:** The Tribunal approves Integral Energy's application dated 30 June 2006 to increase prices for the construction and maintenance of its public lighting business by 2.7 per cent, effective from 1 October 2006.

### Reasons:

#### Background

On 30 June 2006, Integral Energy submitted an application to the Tribunal under clause 2.3 of the Regulation of Excluded Distribution Services Rule 2004/01 ("Rule") to increase its charges for the construction and maintenance of its public lighting business. Integral Energy proposed an across-the-board increase in its public lighting prices by 2.7 per cent to take effect on 1 September 2006.

Public lighting is an "Excluded Distribution Service" within the meaning of the Rule appended to the Tribunal's *NSW Electricity Distribution Pricing, Final Determination, June 2004*.

Pursuant to clause 2.3 of the Rule, if a Distribution Network Service Provider (DNSP) proposes a change in public lighting prices, the Tribunal must be satisfied that the proposal complies with clause 2.3 (which incorporates the requirements of clause 2.2(a) (1) and (2) of the Rule) and if it is not satisfied, the Tribunal may require the DNSP to submit alternative prices. The Tribunal is satisfied that Integral Energy's proposed price increase of 2.7 per cent complies with the Rule.

#### Decision

**The Tribunal approves Integral Energy's application dated 30 June 2006 to increase prices for the construction and maintenance of its public lighting business by 2.7 per cent, effective from 1 October 2006.**

#### Reasons for the Tribunal's Decision

In reaching its decision the Tribunal had regard to the requirements of the Rule, including that:

- the DNSP must use its reasonable endeavours to ensure that prices signal the economic costs of service provision (clause 2.2(a) (1) of the Rule); and
- if the DNSP's prospective price changes would reasonably be expected to impose significant adjustment costs on those that must bear those price changes, the DNSP must implement transitional price options, a phased approach or other measures (whether as part of its prospective price changes or otherwise) which in the Tribunal's opinion are reasonably necessary to mitigate the effects of those adjustment costs, having regard to the nature and extent of those adjustment costs and the prospective changes (clause 2.3(c) of the Rule).

In making its decision the Tribunal has considered all material provided by Integral Energy in support of its application, its own research and the submissions received from local councils in Integral Energy's franchise area.

The Tribunal is satisfied that Integral Energy's proposal meets the requirements of the Rule for the following reasons:

- The Tribunal has examined the costs associated with Integral Energy's public lighting infrastructure and finds that the proposed increase is necessary to move prices towards the costs of service provision. However, the Tribunal does not support Integral Energy's foreshadowed revaluation of the public lighting regulatory asset base.
- The Tribunal is satisfied that Integral Energy has taken into account the impact on customers of its proposed price changes, as envisaged by clause 2.3(a) (3) of the Rule. The Tribunal notes that the price increase of 2.7 per cent is a modest rise and that it is the first rise since 2002.
- The Tribunal has noted submissions by the local councils as to the size and/or timing of the price increases from a budgetary and financial planning perspective. On the information available to it, the Tribunal is satisfied that the proposed price increases do not impose significant adjustment cost on local councils.

14 September 2006