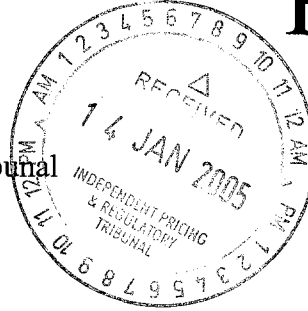


Our Ref: Mr P Shepherd/jc: RO/5(1)

13 January 2005

Independent Pricing and Regulatory Tribunal
PO Box Q290
QVB Post Office NSW 1230



Dear Members of the Tribunal

RE: EnergyAustralia proposal to increase public lighting prices by 70% (real)

On behalf of Botany Bay City Council, I thank you for the opportunity to make this submission contesting EnergyAustralia's (EA's) proposal to increase prices for public lighting services by some 70% (real) over the next 30 months.

The City of Botany Bay endorses the submission made by Graham Mawer, Program Manager for the Street Lighting Improvement Program of which this Council is a participant.

Council also wishes to express its own strong opposition to EA's proposals to increase street lighting charges by approximately 70%. The proposal by EA is built on grossly inefficient practices and inappropriate costs.

Council's key objections are:-

- (i) **"Connection Assets"** – EnergyAustralia is proposing to impose new capital charges on councils for a range of underground cabling and other connection assets. The council position is that councils or other parties (eg developers) already funded such assets under clear contractual agreements and publicly stated EnergyAustralia policies over many decades.
- (ii) **Inefficient Practices and Obsolete Assets** – EnergyAustralia's practices fall far below industry norms in a range of areas (eg still installing lights in July 04 that other utilities discontinued in the 1980's; poor scheduling resulting in labour productivity less than half that in Victoria). Charging councils for these highly inefficient assets and practices appears to be inconsistent with the National Electricity Code which says that charges should be based on an efficiently provided service. Allowing EnergyAustralia to charge for such inefficiency would also be rewarding poor performance and as such, sets a poor precedent.
- (iii) **Double-counted, overstated costs of Public Lighting Code** – The draft Code, formulated by DEUS, requires modern maintenance practices that should reduce, not increase costs. It appears that EnergyAustralia is double-counting labour costs in this aspect of its submission.

- (iv) **Inappropriate Depreciation Methodology** – EnergyAustralia has assumed asset lives of 20 years for all components whereas 35 years is more appropriate for some key assets. This appears to be inconsistent with Australian Accounting Standards, NSW Treasury Policy and the recent Victorian pricing determination.

The proposal by EA, if endorsed by the Tribunal, will increase the annual street lighting charges in the City of Botany Bay by in excess of \$300,000.00. These costs are not recoverable from other sources and therefore will place an additional burden on our ratepayers.

I thank you again for the opportunity to make this submission and close by urging you not to endorse the proposal by EnergyAustralia.

Yours faithfully



Paul S Shepherd
DIRECTOR
TECHNICAL & REGULATORY SERVICES