



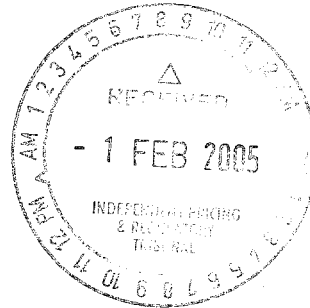
**WYONG SHIRE
COUNCIL**

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**CENTRAL
COAST**

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AKP:JEM
Mr A K Pitcher

January 28 2005

Independent Pricing and Regulatory Tribunal
PO Box Q290
QVB POST OFFICE NSW 1230

Dear Members of the Tribunal

Energy Australia Proposal to Increase Public Lighting Prices by 70% (real)

On behalf of Wyong Shire Council, I thank you for the opportunity to make this submission. Council objects to Energy Australia's (EA's) proposal to increase prices for public lighting services by some 70% (real) over the next 30 months.

Wyong Council is a member of the 29 Council consortiums participating in the Street Lighting Improvement (SLI) Program, and as such, fully supports their submission made to the tribunal.

The following information is supplied both in support of, and in addition to, the submission made by the SLI Program.

Impact of Price Increases

Over the next 30 months, EA proposes to increase the costs of street lighting by 70%. This increase equates to an annual increase to Council of approximately \$618,000. Wyong currently spends approximately \$1.2 million per annum on street lighting, with the following break-up of individual cost components.

Lamps and Lanterns	39%
Brackets, supports and connectors	61%

This level of cost increase could result in significant cuts in the provision of other essential services including street lighting. The annual cost of street lighting is an integral component of the total annual expenditure by Council on road infrastructure. This cost increase would therefore seriously impact on the level of capital works completed each year to provide an upgraded and safer road system.

Level of Service provided by EA

Wyong Shire considers that the existing level of services provided by EA does not justify such a price increase.

As an integral component of Council's annual secondary roads rehabilitation program, there is generally a requirement to re-position power poles and street lights to cater for the design needs of new road geometry, new underground services and the construction of traffic calming devices such as roundabouts.

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A typical example of this is the project currently in progress at Swadling Street, Toowoon Bay. The re-alignment of the road to incorporate improved intersection geometry, including a roundabout, has required the re-positioning of existing street light poles, and the installation of additional lighting.

The cost to Council for these services by EA is in excess of \$300,000 per annum. Not only is the cost of individual projects considered to be excessive, the time for EA to provide these services has increased significantly over the last four years, to a position now of having a major impact on Council's construction programming and on-site productivity.

The time for EA to design and undertake works to re-locate poles and street lights can be up to 32 weeks. This level of service is totally acceptable to Council and reflects EA's continued acceptance of poor work procedures.

Some recent examples are provided below:

Roper Road – Bluehaven

- | | |
|--|----------|
| - Installation of one additional pole and street light EA Contract price | \$17,000 |
| - EA Completion time from the time of Council's request | 40 weeks |

Hue Hue Road – Jilliby

- | | |
|---|----------|
| - Relocation of 3 poles and street lights, and one transformer
EA Contract Price | \$87,266 |
| - EA completion time | 26 weeks |

Swadling Street – Toowoon Bay

- | | |
|--|----------|
| - Relocation of one pole and street light
EA Contract price | \$30,550 |
| - EA completion time | 32 weeks |

In relation to the costs incurred by Council for the services provided by EA, there is also the concern that NSW Contestability Policy does not provide for contestability of ownership for the existing EA – owned assets. EA is a monopoly provider of public lighting services using these assets. As such there is no opportunity for Council to seek more efficient and cost-effective practices from alternate providers.

Inappropriate Cost Structure

Council concurs with the SLI Program conclusion that the EA charges are based on inappropriate costs and in fact could represent a reward for poor work practices and inefficiencies. The depreciative costs are overstated, and are based on unduly short assumed asset lives. In particular, EA has assumed a 20 year asset life for brackets and connection assets in calculating depreciation costs, whereas a 35 year average life is considered to be more appropriate.

This different depreciation cost would reduce Council's current costs by approximately \$18,000 per annum.

Comparison with Other Electricity Providers

Council requests that the Tribunal, when considering this cost increase proposed by EA, compare current costings, work practices and productivity gains achieved by other electricity providers throughout Australia.

A recent pricing decision based on detailed analysis by the Victorian regulator suggests that Energy Australia's proposed pricing for typical lighting types is 31-89% too high.

During 2003/2004, the Victorian Essential Services Commission undertook a review of public lighting charges, and performed detailed analysis and modelling of public lighting costs. This analysis investigated three main lighting types which are also now the defaults for all new and replacement lighting in EA's area of operations.

Conclusion

Council again reinforces to the Tribunal its total support of the SLI Program submission, and considers that the proposed 70% increase in charges for street lighting is an inappropriate attempt by Energy Australia at cost shifting to Council. These proposed cost increases are considered to be unjustified, reflect the continuing acceptance of poor work practices and inefficiencies and could result in the reduction of lighting and other essential services.

Thank you again for the opportunity to make this submission. Council would be pleased to answer any questions and provide any further information you may require in relation to the matters raised by both Council and the SLI Program submissions.

Yours faithfully



D G Cathers
Director
ENGINEERING SERVICES