



Independent Pricing & Regulatory  
Tribunal  
PO Box Q290  
QVB POST OFFICE 1230

Contact: Dale Dickey  
Our Ref: 58813  
Your Ref:



Dear Members of the Tribunal

**SUBMISSION TO INDEPENDENT PRICING & REGULATORY TRIBUNAL (IPART)  
ENERGY AUSTRALIA PUBLIC LIGHTING PRICING PROPOSAL**

I refer to Energy Australia's proposed increase in Street Lighting charges and thank the Committee for the opportunity to comment on behalf of Cessnock LGA.

Council wishes to express its strong opposition to the Energy Australia proposal and requests that the following issues be considered by the Committee:

- An increase in the region of 70% in street lighting equates to an annual increase of approximately \$167,000 for Cessnock Council over the two to three year transitional period. Council's Street lighting budget for 2004/05 is \$402,000 which allows for energy costs, system charges for assets (subject proposal), new lighting installations, the upgrading of existing lighting and special projects – within Council's Essential Budget allocation this is a significant amount. This additional cost is not recoverable and would place a further burden on Council's ability to meet program work commitments or street lighting improvements (proposed Public Lighting Code), even if staged;
- Rate income for Councils' is "pegged" at about 3% making a percentage increase of approximately 70% unrealistic in today's terms. Energy Australia has statutory obligations, as do Council's, who still provide services to the community based on community need and not necessarily full cost recovery;
- Many of the street lights in Council's area were installed over 30 years ago and should have been written off and replaced as part of ongoing maintenance, at no cost to Council, however Council pays an additional amount at present to replace outdated lights. This is also an additional cost that ratepayers should not have to meet;
- Energy Australia's submission appears to be based on recovery only and has not addressed such issues as improvement to work practices and rationalisation of management as a means of reducing costs;

- As previously mentioned many street lights in Cessnock are outdated. The replacement lights being installed are not the latest technology to permit recovery of part of the energy costs by Council. The range of lighting provided would best be described as limited and this is surprising as Energy Australia is a large purchaser of lighting infrastructure and should normally be able to influence manufacturing trends and suppliers through its purchasing power;
- In relation to the proposed inclusion of additional dedicated assets, these assets were agreed upon for inclusion in the network determination in 1999 and at that stage may have included shadow costs to cover combined components. They were not considered appropriate to include then and Council does not support their inclusion now;
- The submission from Energy Australia does not include comparison benchmarks and bases the proposal on the legislation rather than market costs and efficiencies on a comparable basis;
- Public lighting services provided by Energy Australia are not contestable making it a monopoly service. In this circumstance it is essential that regulatory protection be provided to ensure that street lighting remains within acceptable cost parameters for Councils due to the road safety and community service obligations;
- Energy Australia have already reduced their obligation to the community by eliminating public lighting from reserves and parks requiring a separate connection through a meter. This initiative has had a significant impact on costs.

Significant cost savings in the provision and operation of street lighting appears available through new technology and efficient asset management and maintenance processes. It is difficult to support any increase above the CPI that has not in its submission addressed and demonstrated competitiveness within the market.

Cessnock Council requests that IPART not approve the proposal from Energy Australia and that cost increases be limited to the CPI.

Yours faithfully



C L COWAN  
GENERAL MANAGER

27 January 2005