



HUNTER'S HILL COUNCIL

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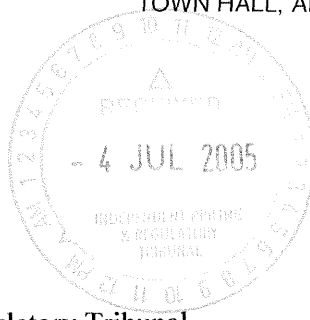
Street Lighting

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Enquiries:

30 June, 2005



Independent Pricing and Regulatory Tribunal

PO Box Q290

QVB

NSW

Dear Members of the Tribunal

Energy Australia proposal to increase public lighting prices

Council has reviewed the revised proposal submitted by Energy Australia to the Tribunal to increase public lighting prices by approximately 25 per cent above CPI over the next 3 years and again finds the suggested increase totally unacceptable.

Council takes strong issue with Energy Australia's claim that the revised pricing provided in the latest submission meets the Tribunal's 'reasonable' criterion, particularly as the proposed pricing increases have been necessitated by what we believe is a history of poor technology selection, inefficient practices, lack of consultation and inadequate service delivery by Energy Australia in the provision of street lighting services.

Council urges the Tribunal not to view the reduced proposed public lighting prices as 'reasonable' by comparison to the first submission by Energy Australia. The first proposal was for a rise of approximately 70 per cent and this second proposal is for 25 per cent over CPI over the next 3 years, and while a reduction from the first proposal, it is still grossly inappropriate and appears to make the first submission seem simply an 'ambit' claim.

The submission fails to identify that the proposed increases are recurrent and potentially further increased by the introduction of much-needed service delivery standards, such as the public lighting guidelines. The revised proposal also fails to identify the fact that its customers, Councils, are under existing pressure due to rate pegging imposed by the State Government and that a possible increase in street lighting prices is but one additional financial burden on already limited resources.

Councils are labouring under new legislative requirements to meet environmental, social and service delivery standards as well as rising community expectations. Hunters Hill Council has already been forced to request special rate increases to meet specific environmental and infrastructure needs, increases that are borne by ratepayers.

These increases come under intense scrutiny from the community and are invariably unpopular. This is especially true when such increases are connected with the provision of

a service that is viewed by the community as inadequate or inefficient (and councils receive many complaints about the provision of street lighting services).

Due to current 'rate-pegging' legislation Council does not have the simple recourse of passing on these proposed increases to their residents. Instead, these proposed increases would come at a real cost to the provision of other services.

Energy Australia's assumption that ongoing incremental rises in the cost of street lighting is not significant in terms of councils' total budgets demonstrates a poor understanding of the economic environment in which councils operate.

Council would concur with the NSROC contention that pricing should be benchmarked against comparable service delivery and based on the provision of a consultative, 'best-practice' service, operating to agreed performance standards utilising the best and most efficient technologies. Energy Australia has a poor maintenance record, made inappropriate technology choices, not been transparent in its decision-making and continued to support inefficient work practices, yet still expects its customers to willingly accept unreasonable price increases.

It is of particular concern to Council that there is no other recourse, or alternative supplier for councils in the provision of this monopoly service.

Councils require the protection of the Tribunal particularly when Energy Australia appears unwilling to accept decisions made by the Tribunal, which are not in its favour (such as the Tribunal's decision to not include dedicated assets omitted from the regulatory asset base).

It is even more unacceptable that it wishes the Tribunal to formally lock into its proposed pricing trajectory, yet still allow the flexibility to ask for additional price increases should it be compelled to meet long-awaited basic service level standards, (through the introduction of the public lighting guidelines).

Council believes that the proposals submitted by Energy Australia are inappropriate and requests that the Tribunal does not make any formal commitment to the proposed pricing trajectory. Councils have, since the introduction of rate pegging; run leaner, smarter, more efficient services based on existing income – Energy Australia should be required to do the same before price increases of such magnitude are considered.

Councils and their communities are not satisfied with current service levels and we would urge the Tribunal to consider this proposal from a community perspective when arriving at its decision.

Yours faithfully



Barry Smith
GENERAL MANAGER