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Independent Pricing and Regulatory Tribunal
PO Box Q290
QVB
NSW

30 June 2005



Dear Members of the Tribunal

Re: EnergyAustralia's proposal to increase public lighting prices.

I am writing to you on behalf of the seven NSROC Councils which collectively provide local government services to over 500,000 people living in the north of Sydney. The NSROC Councils have reviewed the revised proposal submitted by EnergyAustralia to the Tribunal to increase public lighting prices by approximately 25 per cent above CPI over the next 3 years and again find the suggested increase totally unacceptable.

We take strong issue with EnergyAustralia'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 EnergyAustralia in the provision of street lighting services.

We also strongly urge the Tribunal not to view the reduced proposed public lighting prices as 'reasonable' by comparison to the first submission by EnergyAustralia. The first proposal was for a rise of approximately 70 per cent, a proposal which we viewed quite simply as ludicrous. 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.

EnergyAustralia have provided information in their submission noting that in most cases the increases amount to less than \$3.00 per rateable property for 2005/06. What the submission fails to identify is that these increases are to be ongoing 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 councils are under existing pressure due to rate pegging and that a possible increase in street lighting prices is but one additional financial burden on councils' already limited resources.

Councils are currently labouring under new legislative requirements to meet environmental, social and service delivery standards as well as rising community expectations. In addition, some councils have been forced to request rate levies to meet specific environmental issues. One example in NSROC is Hornsby

Council which has been forced to acquire a \$26 million quarry through a non-appealable valuation by the Valuer General's office.

Such rate 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 which 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' arrangements, councils do not have simple recourse to passing on the proposed increases to their residents. Instead, these proposed increases would come at a real cost to the provision of much needed services to the NSROC communities. For EnergyAustralia to suggest 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.

NSROC does not believe that the shortfalls identified by EnergyAustralia should be made good by the revision of existing asset recovery rates as ad-hoc adjustments made to total-asset accounting practices is not a sound platform to build an efficient business model. Furthermore NSROC agrees with the Street Lighting Improvement Program's assessment that EnergyAustralia is overstating its asset valuation and thus provides an incorrect basis for price increase assessment.

NSROC contends pricing should be benchmarked against comparable service delivery (such as that identified by the Essential Services Commission Victoria in its recent public lighting pricing inquiry), and based on the provision of a consultative, 'best-practice' service, operating to agreed performance standards utilising the best and most efficient technologies. To date EnergyAustralia has failed to do this. The NSROC councils see no reason why they should now pay for EnergyAustralia's poor maintenance record, inappropriate technology choices, opaque decision making and inefficient work practices.

This revised proposal of EnergyAustralia is of particular concern to NSROC because there is no other recourse for councils in the provision of this service. Six out of the seven NSROC councils are also members of the Street Lighting Improvement Program (SLIP) and as such, are also represented by that Program's submission on this matter. NSROC whole-heartedly endorses the SLIP submission and the detailed comments and calculations provided within it.

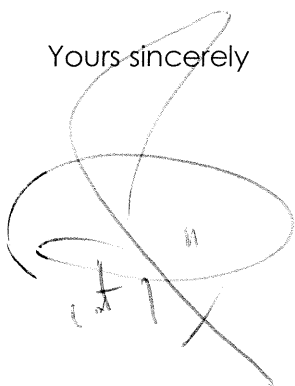
For its part, EnergyAustralia appears to have made another ambit claim to substantially increase its pricing for providing a monopoly service which we believe needs significant improvement. EnergyAustralia appears unwilling to accept decisions made by the Tribunal which are not in its favour (such as the Tribunal's decision to not include dedicated assets omitted from the regulatory asset base), yet wishes the Tribunal itself to formally lock into its proposed pricing trajectory. EnergyAustralia is also seeking to put its pricing up on a regular basis but retain 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).

In summation, NSROC firmly believes that the price path suggested by EnergyAustralia is inappropriate and requests that the Tribunal does not make any formal commitment to EnergyAustralia's pricing trajectory. NSROC instead contends that EnergyAustralia should do what councils have been doing since the introduction of rate pegging; run a leaner, smarter, more efficient service based on its existing income.

I trust the Tribunal will consider this submission and the others from local government and the concerns of the communities they represent in coming to its decision.

Yours sincerely

A handwritten signature in black ink, appearing to be 'Pat Reilly', written over a large, loopy scribble.

Pat Reilly
President

Northern Sydney Regional Organisation of Councils
(Mayor of Willoughby Council)