



Our ref: R92/0069.wt Out-12555
12 July 2005

Miss Fiona Towers
Director, Energy
Independent Pricing and Regulatory Tribunal
PO Box Q290
QVB POST OFFICE NSW 1230



Dear Miss Towers

EnergyAustralia's Revised Public Lighting Proposal

Thank you for the opportunity to respond to a revised proposal by EnergyAustralia to increase pricing of public lighting.

The Local Government and Shires Associations of NSW are the peak bodies representing all local government councils in NSW, and this response reflects statewide concerns at the precedent being created in the event of lighting costs being increased beyond the level that the Government permits councils to increase general rates.

Local Government's budget and rating cycle began on 1 July, and the annual management plan process followed by all councils is prescribed by law to include all potential income and expenditure reasonably notified and placed on public exhibition. Rates once levied cannot be increased to meet any increased cost of public lighting, and this process is fully known and recognised by EnergyAustralia and IPART.

Any cost increase granted by IPART outside a council's management plan would require major reassessment of existing programs and levels of service.

Specific objections to the revised pricing submitted by EnergyAustralia include:

1. Non Contestability of Market

The major proportion of EnergyAustralia's public lighting relates to existing infrastructure. The Electricity Supply Act 1995 does not permit contestability for capital and maintenance charges, resulting in councils having no choice in maintenance, modification or removal of existing lights. This monopoly enjoyed by EnergyAustralia must carry with it the right to challenge unjustified practices, by calling on IPART to adjudicate on the revised pricing proposal.

2. Inconsistent with ESC Victorian Analysis

An analysis of EnergyAustralia's claimed increases show that they are:

- 44% higher than the Victorian benchmark for M80 luminaires
- 147% higher than the Victorian benchmark for HPS150 luminaires
- 140% higher than the Victorian benchmark for HPS250 luminaires

The EnergyAustralia submission provides conflicting information about costs associated with brackets which appear to carry higher costs of installation. Brackets remain in position regardless of luminaire replacement programs. These comparisons do not conform with the analysis carried out by EnergyAustralia's own consultant.

3. **Highly Inefficient Practices**

EnergyAustralia's consultant identified highly inefficient technology practices which include:

- a) use of halo-phosphor fluorescent lamps with short lives and high outage rates, rather than more durable and reliable tri-phosphor lamps in all types of fluorescent fixtures;
- b) Tubular fluorescent twin 20 Watt (TF2x20) luminaries continued to be installed until July 2004, despite becoming technically and commercially obsolete nearly 20 years ago. These devices minimally comply with Australian Standards, and poor reliability and frequent outages create unnecessarily high maintenance costs.
- c) Mercury vapour lighting was discontinued by many other utilities 15 years ago for main roads lighting. EnergyAustralia continues to use these outdated lights, despite higher efficiency high pressure sodium lamps being available. These lights represent 65% of EnergyAustralia's main road lighting.

4. **Poor Logistics in Scheduling of Repairs & Maintenance Assumptions**

The Victorian study established that travel between spot repairs was less than half of the 40 minute travelling time between jobs estimated by EnergyAustralia in very similar conditions. EA's travel times appear to be excessive, confirming inefficient practices and assumptions claimed by EnergyAustralia. Other issues of concern on maintenance assumptions which exaggerate the cost claims by EnergyAustralia include:

- Many lighting brackets are more than 40 years old and still in active use. The depreciation scales stated by EnergyAustralia suggest a 20 year life, contrary to today's practices.
- Lamp replacement data provided by AS1158, lamp manufacturers and the Victorian ESC recommend a 36 month lamp replacement cycle, not 30 months outlined by EnergyAustralia.
- Lights adjacent to council boundaries appear in many cases to have been counted twice.
- EnergyAustralia's submission on page 10 incorrectly includes \$39 million of council contributed assets where councils bear the full cost of damage or replacement. Projected cost increases should not seek to cover these costs.

5. **Standards Compliance**


Almost half the lighting assets currently in use by EnergyAustralia are obsolete, and many were obsolete when installed. The Associations do not accept EnergyAustralia's proposal to charge a flat \$150 capital recovery charge per luminaire in addition to labour charges for any removal of highly obsolete fluorescent lighting before it has reached 20 years of age. EnergyAustralia should not charge for the removal of assets that it should not have installed in the first place. Councils would have to pay at least \$15,000,000 of capital charges for 100,000 highly obsolete lights on EnergyAustralia's network, and pay a similar amount for labour costs associated with removal of these assets.

6. **High EnergyAustralia charges will obstruct council access to contestability and would reward inefficiency**

Historically, councils have had little say on technology selection, and have been dependent on EnergyAustralia for performing public lighting services efficiently. Technical expertise and the vast bulk of technical lighting decisions have rested with EnergyAustralia and its predecessors. Innovation has fallen well below industry standards, yet councils have had no alternative but to accept pricing structures and technological advice which appears to be inconsistent with the National Electricity Code.

The Associations request that IPART rejects the unjustified pricing upgrade requested by EnergyAustralia.

Yours sincerely


Bill Gillooly AM
Secretary General