

Dear Members of the Tribunal

Energy Australia proposal to increase public lighting prices by 70% (real)

Thank you for the opportunity to make a submission regarding Energy Australia's proposal. Street lighting costs are a major part of Council's annual budget expenditure, and as such Kogarah Council views with much concern any increase in prices proposed by Energy Australia.

1. Energy Australia has advised Kogarah Council that the first stage of increases will result in an increase of about \$6,000 a month commencing 1 March 2005. The timing of the proposed increase means that Council has not had the opportunity to budget for the extra expenditure. In any case the scale of this increase (and the overall 70% increase proposed) is far greater than the general increase in Council income. Council's primary income is through rates, and these are pegged at about 3% by the Department of Local Government. It seems incongruous that Council should on the one hand be restricted in generating income set by rate pegging, and on the other hand have to source funding to meet the proposed 70% increase in costs.
2. Energy Australia has persisted with obsolete twin 20-watt fluorescent tubes for the last 45 years which is some 15-20 years longer than any other Australian utility. Council does not believe that it is fair that the cost in operating and replacing these highly obsolete assets be borne in totality by its ratepayers. Council would in effect be subsidising Energy Australia's poor asset management practices.
3. Any price changes should only follow after, and be linked to, a service level agreement between the relevant Councils and Energy Australia. Energy Australia has a monopoly over street lighting and such a monopoly is not conducive to efficient operation, investment in new technology, or increasing service levels over time as there is no incentive through competition to do so. The result is what has occurred over the last few years whereby it has taken the collective action of Councils through the SSROC Street Lighting Improvement Program to have Energy Australia review its outdated inventory; obsolete default luminaires, and service levels amongst other areas of street lighting. As there is no recourse to a competitive marketplace at this point in time, some level of protection through a service level agreement is considered appropriate. Council views IPART as the primary protection mechanism against inappropriate monopoly pricing.
4. Energy Australia has stated in its correspondence that "the price change is the first step of a longer term transition price path, which is discussed in our submission to IPART" but details of the impact on individual councils have been withheld in the posted copy of Energy Australia's IPART submission. As such Council is not in a position to make a fully informed submission at this point in time.
5. Council believes that there are significant cost savings in the provision of street lighting by Energy Australia available through new technology, and best practice in asset management and maintenance. As such, cost saving/increased service level outcomes should be pursued first, prior to major price changes. Price increases would not offer any incentives for Energy Australia to seek out efficient and best practice, and would be seen as a reward for their poor performance to date.
6. Council supports and endorses the submission made by the Street Lighting Improvement Program.

Once again, thank you for the opportunity to make this submission.

Yours sincerely

Frank Tambosis
Manager Engineering Services

Kogarah Council
Locked Bag 8
Kogarah NSW 2217

Ph: 9330 9400
Fx: 9330 9560
Em: kmcmail@kogarah.nsw.gov.au