

31 January 2005

Independent Pricing and Regulatory Tribunal
PO Box Q290
QVB POST OFFICE NSW 1230

Dear Members of the Tribunal

EnergyAustralia's Proposal to Increase Public Lighting Prices by 70% (Real)

Reference is made to Ku-ring-gai Council's interim submission dated 13 January 2005 endorsing the Street lighting Improvement program of 14 January, and request for extension of time to provide an additional submission regarding details of the impact on the Ku-ring-gai area from the above proposal.

Council appreciates the grant for the extension of time to respond to EnergyAustralia's pricing proposals. Details of the further concerns and impacts on Ku-ring-gai are covered below in terms of financial, declining services, maintenance and lighting standards.

Council is very aware that street lighting provides a vital role in the local community. It improves pedestrian and traffic safety by increasing visibility at potential conflict points, such as pedestrian crossings and refuges, as well as at roundabout and intersections. It also plays an important role in aiding the security of public property and public safety.

Financial impact

While the benefits of street lighting are recognised, it is a significant budgetary item for Council. In the 2003/04 financial year, Ku-ring-gai Council paid over \$1.2 million in street lighting, comprising over \$0.97 million on component charges (lamps, lanterns, brackets, support and connection). On average, streetlighting expenditure on these component charges constitutes 1.6% of Council's total expenditure.

Consequently, EnergyAustralia's proposed price increases totalling nearly 70% (real) over the next 30 months will significantly impact on Council by a further \$650,000 in street lighting expenditure.

To fund any increase may require Council to cut services or increase general rates, as over half the Council revenue to fund services is raised from the general rate base (52%). The balance of funding is raised from fees and charges (20%), waste (12%) and remainder from grants, interest, Section 94 contributions (3%) and infrastructure levy (2%).

Declining Service

Ku-ring-gai is concerned with the declining standard of service provided by EnergyAustralia in its street lighting services, in respect to responses for lighting design and its implementation. Over a 3 year period of monitoring, the duration historically ranges for design feedback of 6-12 months and 3-6 months for implementation (after approval).

Council has no clear recourse as there are no contractual arrangements, which arguably has contributed to the uncertainty regarding the scope of services and responsibilities, as well as the lack of accepted levels for street lighting.

Contestability

While EnergyAustralia does not have a franchise to supply either network or street lighting services, in practice, there is no effective contestability of street lighting services. EnergyAustralia owns a large majority of street lighting assets and there are no relevant service standard requirements for EnergyAustralia owned street lighting services.

Theoretically, street lighting services is contestable for new assets, in that there are no legal restrictions or technical barriers prohibiting Council from providing street lighting services themselves or from using third parties. However, there are various requirements established by EnergyAustralia that impose significant costs where street lighting assets are owned by parties other than EnergyAustralia. In contrast, there is no obligation on EnergyAustralia to arrange with Council to provide street lighting services on EnergyAustralia owned lights.

As such, the introduction of contestability would require establishing service provision agreements and/or clarifying Council's ownership of street lighting assets that, if achieved, would protect both asset owner and customer interests.

Maintenance Issues

Performance of maintenance requirements by EnergyAustralia are of concern. Maintenance generally falls into two categories, planned maintenance and spot maintenance.

Planned maintenance includes inspection, cleaning, replacement and tree trimming. Based on inspections, Council has observed on several occasions dirty lenses, lamps obscured by foliage and lenses fixed by tape. The area of Ku-ring-gai is known for its tree lined streets, and trimming appears deficient from a perspective of light distribution.

Spot maintenance in response to outages appears to be problematic also. There are observed discrepancies in advised repair times and actual. EnergyAustralia operate a system for reporting outages and repairs, however the indicated response time varies between overhead or underground supply. In the latter case, no repairs to lamps were observed to reported outages.

As a consequence of these practices overall, the past performance is compromised.

Lighting standards

With the exception of main roads through Ku-ring-gai, there is real concern that lighting levels on residential streets is not adequate to comply with Australian Standard 1158.

Council's adopted policy for street lighting in residential areas is based upon EnergyAustralia network specification, which sets a minimum design standard of one TF2*20 watt lamps every 80 metres.

EnergyAustralia previously encouraged use of TF2*20 watt lamps, through its pricing and technical advice. Putting this into perspective, 6,600 lamps of the total 9,960 lamps in Ku-ring-gai, are TF2*20 watt, the others being predominately mercury vapour lamps.

Reasons to doubt the adequacy of the standard and lighting levels include:

- **Residential complaints and increased need for light.** Since the time the standard was adopted, urban density, traffic volumes and pedestrian traffic have all increased. Council receives over 30 requests annually for lighting based on various needs. These include the need for street illumination to aid in public safety. In addition, it is desirable for Council to increase lighting levels over locations that pose a risk to traffic and pedestrian safety, such as roundabouts, pedestrian crossings and refuges.
- **Low compliance and high costs (=Inefficient practices).** TF2*20 watt lamps are discontinued by other utilities and have poor compliance and high costs. TF2*20 watt lamps have a compliance distance of 31m and estimated NPV of \$710 compared to the 80watt mercury vapour lamps of 81m distance and estimated NPV of \$485. [source : SLIP, 27 May 2004].
- **Increase litigation risk.**
- **Stray light.** TF2*20 watt lamps are essentially not-cut off fixtures, resulting in an estimated 30% + upward light [source: based on data for TF2*18 W, Thorn Stradalux Minor Streetlight lantern] and hence not directed to areas requiring illumination. It implies that Council is paying for waste light.

In summary, street lighting would impose an additional financial impact of \$650,000 per annum above the \$1.2 million paid for street lighting, requiring a cut in services or rate increases to the residents given over half the Council revenue to fund services is raised from the general rate base.

Real concern for EnergyAustralia's pricing increase is exacerbated in the face of the evidence of declining services for planned and spot maintenance practices. Lighting standards that are not adequate to comply with Australian Standard 1158 compromise performance. Notable reasons for inadequacies include residential complaints and increased need for light, low compliance and high costs, increase litigation risk and stray light.

There is no effective contestability of street lighting services, given EnergyAustralia owns a large majority of street lighting assets and there are no relevant service standard requirements for EnergyAustralia owned street lighting services. The introduction of contestability would protect both asset owner and customer interests.

Thank you for the opportunity to make this additional submission. Council would be pleased to answer any questions you have in relation to the issues raised.

Yours sincerely

Brian Bell
General Manager