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1 February 2005

Ms Emma Kelso
Program Manager
Electricity Pricing
Independent Pricing and Regulatory Tribunal
PO Box Q290
QVB POST OFFICE NSW 1230



Dear Ms Kelso

Proposal by EnergyAustralia to dramatically increase public lighting prices

Thank you for your letter of 9 December 2004 and subsequent agreement to extend the closing date for submissions to 4 February 2005.

The Associations record the strong objections from many councils of not being each informed of the potential impact of the proposal until 10 January 2005. Longer term effects are extremely difficult to assess, and even now, many councils have not been provided with this data from EnergyAustralia.

Councils have also expressed their dismay and disappointment that such a significant issue was seen to await the Christmas Recess when many professional and elected people typically enjoy their annual vacation. The previous closing date for submissions to IPART of 17 January 2005 was similarly insensitive and inadequate. IPART's extension of the closing date to 4 February 2005 has provided additional time for consultation by councils and for responding to your request for submissions.

The Associations must make it abundantly clear that rate pegging legislation places stringent financial caps on revenue that councils can levy from property rates.

The Ministerially approved rate pegging increases since 2001 were:

2001/02	2.8%
2002/03	3.3%
2003/04	3.6%
2004/05	3.5%

Section 508(2) of the Local Government Act permits a council to vary the rate increase in terms of a long term financial plan, provided public consultation has supported the program. Exorbitant street lighting increases would not fall into this category.

It is noted on page 4 of the EnergyAustralia's submission that:

"EnergyAustralia will be required to hire additional staff and source additional equipment to comply with the NSW Public Lighting Code."

Local Government is required to meet its ever increasing responsibilities within a state government capped revenue base, and is required to look at alternative methods of service delivery and work within tight budgets to

fulfil statutory obligations and community expectations and have the detailed community scrutiny of its Management Plan being placed on public exhibition.

The State Government imposes one set of rules for its agencies and one for local government, its own creation, to deliver services it is unable or unwilling to provide given the strong community interaction that it would have to face on many issues.

The proposal by EnergyAustralia is quite outrageous and indicates a complete lack of innovation on its part to manage within a tight budgetary framework.

If local government is forced to undertake its many and varied responsibilities with a capped revenue base in the order of 2.0% - 3.5% annually, why should EnergyAustralia be allowed to increase its charges in the order of 45% in the first year rising to 67% over the next two and a half years?

The Associations would be reluctant to recommend to member councils the introduction of a street lighting special rate, but if this eventuated, it would be likely that rate notices would show that the rate resulted from an IPART approved public lighting charge. It is doubtful that the Minister for local government would approve such an action taken under Section 508(2) of the Local Government Act except under exceptional circumstances for specific councils.

For EnergyAustralia to suggest that councils should readily be able to fund an additional \$4 per assessment is both mathematically incorrect in significantly understating the impact and clouds the issue that other levels of expenditure on works and services need to be reduced, eliminated or deferred. This will affect the community, potential staff cutbacks and public concern on lost services and standards.

The alternative that also warrants detailed review is to cutback on street lighting standards and service levels. While this action may be drastic, EnergyAustralia must be made aware of the very significant hardship its unwarranted increases will deliver.

There are a number of specific issues that the Associations wish IPART to consider.

1. IPART's Regulatory Protection

While energy charges are contestable, the Associations look to IPART to intervene and arbitrate on street lighting costs. This is a monopoly service provision, and it is vital that councils be given clear and strong regulatory protection regardless of how the services are classified.

2. EnergyAustralia's Inappropriate Costings

The case has been made by the Street Lighting Improvement Program that the EnergyAustralia submission currently being assessed by IPART contains:

a) Excessive costs resulting from obsolete and highly inefficient practices	\$6.7m
b) Overstated depreciation costs based on inappropriately short assumed asset lives	\$1.4m
c) Inappropriate proposed new charges for existing dedicated connection assets	\$7.0m
d) Double counting the cost of fault repairs required by the Public Lighting Code	\$2.3m

The above inappropriate costs total over \$17 million/yr which is slightly more than EA's proposed price increase. Eliminating these proposed charges would result in a price reduction of about 12% from current levels. It is our view that EA should therefore be implementing a price reduction.

The Associations fully endorse the Appendix submitted by the Street Lighting Improvement Program that provides detailed explanation on these costings.

3. Community Service

The State Government through the Roads and Traffic Authority's TRLS contributes approximately 22% of the total street lighting costs paid by councils. This represents approximately 50% of the lighting costs paid by councils for arterial roads, and in 2003/04, met lighting increases based on the CPI factor of 2.1%.

What action does IPART propose in equating the contribution by local government to the procedure by the Roads and Traffic Authority?

4. Access to specific data for each council

The notice issued by IPART reveals that the proposed price increase represent **average** increase, yet the true costs to individual councils may be in multiples of the average amount. EnergyAustralia has not made it easy for each council to ascertain this data, and this information should be forwarded direct to each council.

5. Proposed price increases not linked to electricity reform

Approval would be viewed by many as rewarding EA's poor performance, burdening councils and the public with inequitable cost shifting that results in reductions in services provided by councils to ratepayers. It would be difficult to reconcile such pricing with public confidence in electricity sector reform. It would also set an unhelpful precedent and may prompt other utilities to lower their standards and seek similar price increases, resulting in burden to all ratepayers in NSW.

6. Replacement of Obsolete Assets

In addition to pricing proposals submitted to IPART, it is understood that a capital recovery charge of \$150 per lamp is proposed to remove highly obsolete units if they have not yet reached 20 years of age.

Many of these lamps were obsolete when installed, hence no major price increases should be contemplated until all obsolete lamps have been replaced.

7. Changed Practices Welcome

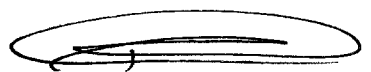
The Associations are pleased to record a new attitude at EnergyAustralia by no longer installing obsolete types of equipment and commencing a program of planned maintenance.

However, the proposed price increases are highly inappropriate, as the changes now being incorporated should reduce EA's costs and improve lighting outcomes.

The Associations would be happy to enlarge on any of these issues, and you are welcome to contact Warren Taylor on 9242 4060 in this regard.

Yours sincerely


Cr Genia McCaffery
President
Local Government Association of NSW


Cr Phyllis Miller
President
Shires Association of NSW

Cc: The Hon Tony Kelly MLC
The Hon Frank Sartor MP