



Pittwater Council

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All Correspondence to be addressed to General Manager

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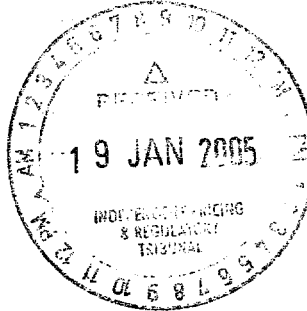
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Dennis J Baker, Director - Corporate Services
8am to 6pm Mon - Thurs, 8am to 5pm Fri

17 January 2005

Attn: Ms Emma Kelso
IPART
PO Box Q290
QVB Post Office NSW 1230



Dear Ms Kelso,

Re: Submission – Energy Australia’s Public Lighting Proposals.

On 10 January 2005, Pittwater Council received a letter from Energy Australia concerning IPART’s review of Energy Australia’s public lighting pricing proposals.

In paragraph one of that letter it is stated:

“In the past, part of the cost of providing and maintaining public lighting equipment was borne by other electricity customers. Under the new regime, public lighting customers are required to pay the full cost of public lighting services.”

Pittwater Council, as with all local government authorities is the custodian of community funds and the steward of community assets.

It expends its funds on the provision of services and infrastructure either directly or through facilitation to the end user.

In the case of public lighting, Energy Australia provides and maintains public lighting equipment not for the benefit of Pittwater Council who pay the accounts, but for the Pittwater community and the many visitors who come to Pittwater to transact business, visit friends and families or to enjoy the many recreational attractions of this area.

The end user is therefore the general public. Any increase in costs should be born by the recipient of the service, however Pittwater Council’s ability to recover the payments it makes for public lighting is restricted by the N.S.W. Government.

Council rates are pegged to limits approved by the Minister for Local Government.

The Ministerially approved rate pegging increases since 2001 are shown below

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

Energy Australia’s letter inter alia further states

“Based on current prices, your average monthly cost for EnergyAustralia’s supply and maintenance of public lighting equipment (not including the cost of energy of Network Use or System charges) was \$30,443. Following the implementation of the proposed price increase, currently expected to become effective 1 March 2005, your average monthly cost for EnergyAustralia’s supply and maintenance of public lighting equipment (assuming the same inventory of public lighting assets) will be approximately \$42,198. This amount will vary according to any changes to the public lighting inventory since 30 June 2004.”

This is a 38.6% increase which cannot be properly passed on to the end user – the general public. It would seem to be a far more equitable method of recovering the cost of the provision of public lighting by billing every household in the service delivery area with the appropriate electricity charge rather than a local council who is not the beneficiary of the service.

It is noted on page 4 of the Energy Australia’s submission that:

“Energy Australia 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.

We are required to look at alternative methods of service delivery and work within tight budgets to fulfil statutory obligations and community expectations.

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 to or unwilling to provide given the strong community interaction that it would have to face on many issues.

An example of the above is the NSW Fire Brigades levy, imposed on Councils. This levy is not pegged, it increases quite dramatically in some years and is based inter alia on the cost of providing fire services within the Sydney Fire District and the property value of each Council area.

Pittwater Council pays this levy plus the contribution to the Rural Fire Service which totals \$1,375,041 or 5.39% of its rate income.

The proposal by Energy Australia 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 Energy Australia be allowed to increase its charges in the order of 38.6% in the first year rising to 63% over the next four years.

In the fourth year, the actual increase for Pittwater residents on today’s cost of the supply and maintenance of public lighting equipment will be an 80% increase or \$912,000 additional costs over four years.

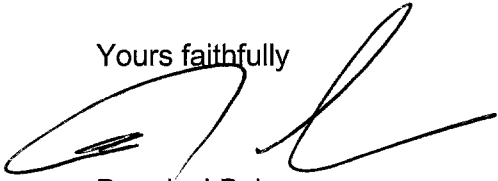
If such increases as requested by Energy Australia were approved by IPART, Pittwater Council would have less funds available to allocate to the provision of much needed

community infrastructure and may have to introduce a street lighting levy as part of its funding requirements to recoup the Energy Australia proposed cost increases.

At the very least, we would have to clearly show the cost per rateable property of the Energy Australia charge on every rate notice with the notation IPART approved public lighting electricity costs included in your rate payment.

This letter and the attached detailed submission comprise Pittwater Council's submission on Energy Australia's Public Lighting Proposals.

Yours faithfully

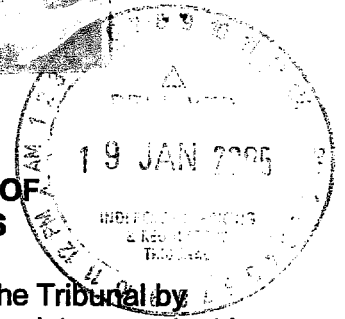
A handwritten signature in black ink, appearing to read 'DJB', written over a circular stamp or mark.

Dennis J Baker
Director Corporate Services

cc. Energy Australia
John Brogden M.P. - Member for Pittwater
Cr Genia McCaffery - President Local Government Association of NSW

RESPONSE BY PITTWATER COUNCIL

SUBMISSION TO IPART PRIOR TO THEIR REVIEW OF ENERGY AUSTRALIA PUBLIC LIGHTING PRICES



Thank you for the opportunity to comment on the current submission to the Tribunal by Energy Australia on Public Streetlighting Prices. This Council intends to register a protest in the strongest possible terms to the proposed price increases which are unacceptably large (reminiscent of an ambit claim) and prior to which there has been no consultation whatsoever with any of the affected Councils.

Pittwater Council is a member of SHOROC (Pittwater, Warringah, Manly and Mosman) and whilst the line of objection is unanimous, each intends in its own right to enter a submission. Two of the Council's (Mosman and Warringah) are members of the Street Lighting Improvements Programme and it is understood that SLIP has, on behalf of its 29 member Councils, detailed objections and reasons therefore to IPART.

Our submission to you is based on this Council's own experience with Energy Australia and their argument that customers are required to pay for the full cost of public lighting services:

1. MONOPOLY

Costs for Street Lighting Services are split into

- a) Energy and Network costs and
- b) S.L.U (Streetlight User) costs.

The former was made contestable in 2002 but the latter is still a monopoly (unlike Victoria).

We as consumers therefore have no alternative to change to and can only look to IPART for assistance as a regulatory body.

2.0 CHARGES SPLIT AND INCOME

The split system between Energy/Network charges and S.L.U charges is (in our case) 32% to 68%.

When the former was made contestable, Energy Australia's campaign to gain/retain customers was a much-vaunted reduction in the unit rate for energy. In simple terms, Pittwater Council stood to save \$25,000 a year, which we hoped to re-invest in new lighting technology. The projected savings however, soon evaporated when Network Charges increased (with IPART's approval) on 1 July 2003 and S.L.U charges increased (unilaterally) on 1 August 2003.

Total streetlight costs for 2003/4 over 2002/3 were an "additional" \$21,500 so the vision of savings proved to be just a mirage.

3.0 COMMUNITY SERVICE

Streetlighting is essentially a community service. Whenever a person walks, runs, rides on a bike or in a motorised vehicle of any sort, that person is availing themselves (in poor light) of that service. It is therefore not one that can be compromised once community expectations are met i.e. streetlights cannot be turned off to save money.

RESPONSE BY PITTWATER COUNCIL

The State Government (via Roads and Traffic Authority) contributes to these lighting costs (for the arterial roads) in a proportion of about 20% of the total costs. They, the RTA, use a CPI factor for yearly increases so whilst they provided Council with an increase (CPI) of 2.1% in 2003/4, we had to pay Energy Australia the billed increase of 4.1%.

IPART should therefore consult the RTA to provide for any real increases in their annual contribution before these are passed on to Council.

4.0 TECHNOLOGY

As a provider, it should be incumbent upon Energy Australia (EA) to engage in the search for the latest yet affordable technology. There is always a balance required of durability, reliability, illumination provided, energy consumed and cost. In 2002, 2600 of Pittwater's 4300 street lamps were the old fluorescent types. EA has on average 40% of its 250,000 lights as old fluorescents and is embarking on a replacement regime. In Victoria, the percentage of fluorescent's is less than 10%. Pittwater has taken up EA's offer in February 2004 of a reasonable payment to partake of this replacement regime and to date 12% of the fluorescents have been changed.

No major charge increases should therefore be entertained until all obsolete lamps have been replaced.

5.0 REPLACEMENTS

When streetlighting billing charges were set in the 70's, capital charges were intended to be recovered over a 20-year amortization period. In 2002 however, EA informed (Council's consultant) that the amortization period system had been discontinued and the charge was to be called an annuity.

Any hopes therefore for replacements of structures etc. under the amortization system have vanished.

6.0 ILLUMINATION STANDARDS

Councils have in the past relied on the provider to design and provide the type of support, luminaire and light to suit the particular location. It was unlikely that Council's would have had such expertise in-house and these decisions were therefore left up to the provider.

Types of lights have progressed from gas light to incandescent to fluorescent lamps and thence to mercury or sodium vapour. There are others such as metal halide but the last two have proved to be the most durable and reliable. Australian Standards for streetlights have however not kept pace with such technology with the latest code AS1158 issued in 2004. It is unlikely therefore that the illumination required to meet the current Australian Standard is met by the current illumination in a suburban street.

EA should take some responsibility for the illumination standard provided and not infer that it is the total responsibility of Council. Some dialogue is necessary with the Local Government Association on the question of provided lighting standards.



RESPONSE BY PITTWATER COUNCIL

7.0 SERVICE LEVELS

Up to 1997, Energy Australia carried out night patrols to ensure that lights were operating and at a satisfactory level. EA saw fit in that year to discontinue this service and now rely only on complaints from passers by.

EA needs to either reinstate the night patrols or implement whatever technology is required to instigate a satisfactory maintenance regime.

8.0 COST INCREASES

The final and all-important point is the proportion of price increases with EA wishes to impose on its customers. It is akin to a company realising that the cost of production far outweighs the sales price and instead of paring production costs, simply increases its sales price. On the free market, this company either goes out of business as customers go elsewhere or it becomes efficient and competitive.

Pittwater Council's payments to EA for Streetlights in recent years have been:

2002/3	\$515,071
2003/4	\$536,523
2004/5	\$553,000 (projected)

Energy Australia wants to increase this to:

2004/5	\$693,400
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rising to \$851,100 in 2007/8. i.e. a total increase (gross) of \$912,000 over the four years.

Council will be unable to fund this almost \$1 million extra for a community benefit.

Council's ability to raise funds through its rates is curtailed by the State Government's decision to cap any increases in rates. Council therefore exhorts IPART to:

- a) *Seek from the State Government, compensation to Councils for any price increase it grants Energy Australia.*
- b) *Refuse any price increase except for CPI.*
- c) *Insist that Energy Australia follow a path of replacing all its old technology lamps before contemplating any price increase.*
- d) *Insist that Energy Australia seek efficiencies in its operations i.e. lengthening the lamp replacement cycle period for one instance.*
- e) *Examine via an independent audit how price increases can be linked to operational procedures and efficiencies.*

Colin Mathison
Principal Engineer – Works
Pittwater Council
17th January 2005