

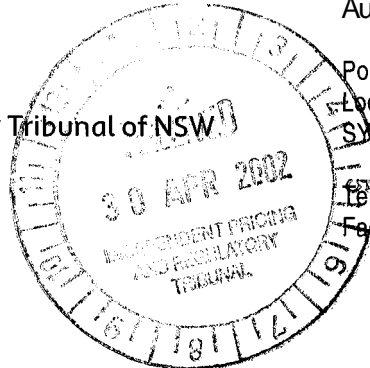
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Dear Ms Towers,

IPART Interim Report on Electricity Undergrounding in NSW

Thank you for the opportunity to provide a submission in response to the Interim Report to the Minister for Energy for Electricity Undergrounding in NSW ("the Report"). I set out below Telstra's comments in relation to the Report.

1. Impact on Telecommunications Infrastructure

Whilst the Report is comprehensive in relation to the findings on the costs, benefits and funding options for the undergrounding of electricity cables, the analysis in relation to the costs, benefits and funding options for the undergrounding of telecommunications infrastructure is not as detailed.

Whilst the Report recognises that carriers have overhead copper cables providing PSTN¹ and Hybrid Fibre/Coaxial (HFC) cables delivering broad band services/PAYTV that will be impacted where electricity cables are placed underground, the undergrounding of telecommunications cables is treated quite separately to the issues surrounding the undergrounding of electricity cables. One of the IPART Terms of Reference was to consider:

"the feasibility of undergrounding electricity cables with other utility services including telecommunication, and any economy of scale that can be achieved".

Telstra as indicated in its first submission dated 4 February 2002:

"Any finance options to fund the relocation of electricity cables underground should also include the relocation costs of telecommunication cables..."

¹ PSTN Public Switched Telephone Network for telephony services

In Telstra's view the Report is unclear as to how telecommunications carriers' cables should be treated as part of a program to put electricity cables underground in NSW.

Telstra's position on infrastructure undergrounding programs has always been to consult and cooperate to reach agreement with all relevant parties, thus reducing overall cost. If carrier cables are treated separately this reduction of cost will be at risk, cause inefficient undergrounding and other adverse impacts such as increase public inconvenience.

The report, whilst making reference to telecommunication cables, currently treats them as a consequential consideration. It is Telstra's submission that the final Report incorporates into the electricity cable undergrounding analysis an analysis in relation to the costs, benefits and funding of undergrounding telecommunications cables in NSW.

2. Costs Associated with Undergrounding of Telecommunications Cables

Whilst I recognise that IPART did not have sufficient time and data to properly calculate the cost and benefits of undergrounding carrier cables, Telstra would like the opportunity to provide further information to Meritec when Meritec prepares a detailed analysis that is required for the implementation plan. This will ensure that the costs of the telecommunication cables can be properly factored into the final figures.

3. The meaning of an Optimised Network

The costing referred to in the Report was based on "optimise design of electricity network". The Report did not take into account how this compares with an "optimised design of a carrier network". Some of the reduction of cost from an optimised "electricity network" may result in higher cost for the "carrier network" (eg more trenching and more cable plant in order to meet carrier performance requirements and limits).

4. Funding Through a Beneficiary Pays Approach

Telstra supports the "beneficiary pays" approach as set out in the Report as follows:

".. it recommends that it be funded by a beneficiary pays approach, in which the bulk of the costs are recovered from property owners through local government charges and the remainder from the state government and electricity distributors." (page i)

This is further supported in Section 4.3 of the report "Funding options to match benefits and beneficiaries"

" However, any net avoided cost that the affected carrier might enjoy could be asked for as a contribution from the carrier, as this would leave it no worse off" (page 36)

While there may be some benefit from avoided maintenance cost it should be noted that these are minimal compared to the cost of placing the existing overhead telecommunications cables underground.

5. Reference to Telco Act 1997

The Report makes several references to Schedule 3 of the Telecommunication Act 1997.

In its assessment of the Telecommunications Act, the report seems to imply incorrectly that putting aerial telecommunications cables underground is another cost carriers have to bear as part of running their business.

For example Page 36 (Section 4.3.1) of the Report states:

“ If a beneficiary pays approach is put aside, it might be argued that the legislation requirements for communication lines to follow electricity lines underground is just another cost of doing business and that the potential for this cost was recognised when the initial investment was made.”

It is important to note in the vast majority of Telstra's (PSTN and HFC) aerial network was installed prior to 1997. Prior to 1997 there was, no legislative framework that considered the undergrounding of telecommunications cable and therefore it is clearly incorrect to state that this was a consideration when the investment decision was in fact made.

Furthermore, in reference to the Act, again the Report implies that as the Act states a requirement to remove aerial telecommunications cables under specific circumstances that the cost of such activities is only a secondary consideration.

Page 13 (Section 2.5.2 it states

“Under clause 51 of Schedule 3 of the Communication Act 1997, they are required to remove their overhead cables no more than 6 months after the final power cable in an area is removed (although the Act does not specify who should bear the cost of this)”

I would like to restate Telstra's position that any program to put cables underground in NSW must fully consider the costs associated with undergrounding all aerial infrastructure.

Therefore, in Telstra's view any further considerations of the cost identified in the report of undergrounding electrical distribution cables must be appropriately noted to reflect the significance of the issue. It should not be left to a simple but true statement at the end of the report on page 36:

“Nevertheless, there will be significant communications undergrounding cost and the chosen funding mechanism must cover them”.

6. Specific Comments

In addition to the comments raised above, I wish to raise the following:

- Clause 1.1 Purpose of this report

Reference should be made to the impact undergrounding will have on telecommunications carriers. This would be consistent with the Terms of Reference.

- *Clause 2.1 Meritec's methodology

Reference should be made in the Report that Meritec did not take into account the impact undergrounding of telecommunications cables would have on the costs referred to in the Report.

- Clause 2.2 Key assumptions

Reference should be made that an optimised electricity network will not be equivalent to an optimised telecommunications carrier network.

- Clause 2.5.2 Cost borne by communication providers

The report uses the Optus \$2,000 per household which is reasonable as a starting estimate. It goes on to say that

“some of these cost could probably be shared between communications providers and DNSPs, so adding these costs to the estimate for undergrounding electricity will result in double counting to some degree.” (page 13)

Telstra agrees with the comment that any common cost (eg trenching) be extracted before adding all the cost of the DNSP and carriers. This paragraph should be clarified by making reference to when there is a coordinated approach to undergrounding electricity and carrier cables there is an opportunity to save on common cost like centralised project management and trenching.

This section should also make reference to the fact that Telstra and Optus have separate networks and in the case of Telstra in some areas it will include the PSTN and HFC network. The report needs to recognise that when adding the cost of \$2,000/house will be greater in some areas when it includes both the Telstra and Optus networks.

- Table 4.1

This table attempts to list benefit types against beneficiaries. Under the “Telcos” listing some of the benefit types have been over estimated.

(a) Improved communication service quality. Telstra has both aerial and underground plant for both its PSTN and HFC network. Placing the remaining aerial plant underground will not change the service quality to any level where it can be defined as a benefit.

(b) Reduced storm damage. Storm damage is assumed to be as a result of aerial cables damaged or cut and resulting in disruption to service for customers. It needs to be recognised that while Telstra does have aerial plant, the design on the PSTN is different to that of the DNSPs and not all DNSP customers would lose their telecommunications service as a result of storm damage/loss of power. In fact, since Telstra has considerable underground cables, storms generally result in higher faults due to water problems in underground cables. This is not a benefit attributed to Telco's.

In Telstra's view these benefits should be removed from the table.

Conclusion

Telstra's main concern is that the Report should make it clear that the cost and funding of undergrounding cables in NSW includes telecommunication cables.

Telstra supports a coordinated approach of putting cables underground and is currently participating in the Ministry of Energy Technical Reference Group (TRG) to address the technical/practical issues together with the associated cost. I would like to take this opportunity to express my concern that the MEU Steering Committee does not have carrier representation even though carrier cables have a significant bearing on the implementation program to underground cables in NSW.

Should you wish to discuss any of the abovementioned points please do not hesitate to contact me or Lawrie Clarke on (03) 9634 8739 or Guy Di Paola (03) 9634 7448 for any further assistance from Telstra.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Paul Paterson', with a long horizontal flourish extending to the right.

Paul Paterson
Director Regulatory