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Electricity Undergrounding in New South Wales  
Independent Pricing and Regulatory Tribunal  
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## *Electricity Undergrounding in New South Wales: An Interim Report to the Minister for Energy, April 2002*

We offer further comments for consideration by the Tribunal in this Review in the light of the content of the *Interim Report*, and of the proceedings of the public forum held in Sydney on 19 April 2002.

Most of our reactions have a bearing on issues associated with the ultimate question of paying for undergrounding. We accept in principle the notion of beneficiary contribution, but in some important aspects we do not think the Tribunal has assessed the locus and extent of potential benefits adequately at this stage. In particular, we think the due funding contributions by the State Government and the communications companies have been under-rated.

We press our view that any local council involvement in the funding of cable undergrounding should distribute the burden among residents and ratepayers on an equitable basis. Our original submission directed attention to the inequities associated with rating based on land values, and set out some options that were intended to minimise those inequities.

It is with some regret that we note that the *Interim Report* has not seen fit to offer either criteria or principles to assist councils in the equitable distribution of any burden that may fall on them.

The following remarks set out some comments on matters which, ultimately, would have a bearing on the distribution of assessed benefit and the determination of an associated funding contribution.

### 1. **Work** place safety – a benefit available to the State as a whole

- We think there is a need to recognise explicitly the industrial safety responsibilities of the NSW Government *via* its electricity distributor agencies. Whilst the *Interim Report* properly identifies (at page 25) the safety training required for workers, it fails to consider the implications of the employer obligation to provide a safe work place, a requirement encapsulated specifically in the relevant electricity industry legislation, as well as in that which is generally applicable throughout industry.
- Avoidable exposure of electricity workers to the acknowledged dangers of electrical work seems to be inconsistent with that obligation.
- While undergrounding will not remove all poles or all danger, it will at least reduce them, by reducing the frequency of pole-top work.
- Work place safety improvements of this kind probably should not be measured simply in terms of avoided accidents, because damage to workers in an unsafe workplace is not merely an accident, but a culpable outcome of enterprise. That potential benefit is different in nature from the treatment in the *Interim Report* of the benefits attributed to road safety gains from undergrounding, where the benefits of reduced accidents are quantified at a fairly high figure.
- Accordingly, the Tribunal might identify and attempt to quantify a benefit of work place safety improvement as accruing to the State as a whole, given the Government's status as owner of the distributors. Quantified or not, the benefit should be given consideration in the balance of beneficiary contributions envisaged for undergrounding.

## 2. Undergrounding communications cables

- We note that Box 4.1 of the *Interim Report* indicates that Optus has raised issues about viability if it were required to carry the cost of undergrounding its cables.
- We comment that, in our district, Optus was advised well and fully by us, and before they were deployed, that its overhead cables were unwelcome in our area. We saw them then as being out-dated technology, and still do. We observed that other communities in Sydney made it clear that they shared our view.
- Even so, and in the face of that clearly stated opposition, Optus chose to instal its cabling overhead in many areas. It did so, we assume, because that was the least cost option.
- To the extent that the viability of a communications enterprise depended on the use of an overhead cable technology, it would have been always vulnerable to the impact of a change in technology.
- Reduced viability of a communications enterprise as a result of a requirement to contribute to the cost of undergrounding its cables would in that context simply reflect the consequences of a business decision taken at the beginning of the rollout, and should not, in our view, weigh unduly in any consideration of funding options for undergrounding purposes.

## 3. Cross-subsidisation issues in funding

- In its discussion of a State Government contribution to funding, the *Interim Report* raises issues of cross-subsidisation of urban dwellers by rural residents outside the proposed program area.
- We observe that the majority of the State's own-source taxation revenue is derived from taxes that are fundamentally city-centric, being heavily related to either land values (land taxes, stamp duties on conveyances) or population (gambling taxes, payroll taxes).
- It seems to us that State Government participation in funding might reasonably benefit cities more than other areas, and a State Government contribution to the cost of achieving that benefit might fairly reflect the sources of State revenues.

## 4. Competition issues and price distortions

- The Tribunal notes, at section 2.7 of the *Interim Report*, a concern about competition with gas and other energy forms being affected potentially by price changes for electricity. We note that gas supplies in the main urban areas are provided by an underground network, and issues of market distortion might thus be seen differently from those which arise when gas is provided in cylinders.
- Our comments about the obligation of the State Government to provide a safe work place, above, suggest that electricity prices are presently less than they would or should be if the work place were as safe as reasonably possible. Redressing that situation by undergrounding, and reflecting a due part of the costs in electricity pricing, would imply market improvement, rather than market distortion.

We thank the Tribunal for the opportunity to participate in the public forum on 19 April, and hope the Tribunal will review these subsequent comments with a view to reflecting their intent in its final report to the Minister.



Michael Rolfe, President

21 April 2002