

6 May 2016

Reference: bw:vp 051606  
Enquiries: Ms J Bennett: 0428 690 935

Mr Craig Madden  
Director – Network Regulation  
Australian Energy Regulator  
GPO Box 520  
MELBOURNE VIC 3000

(sent by email to [nswtss2016@aer.gov.au](mailto:nswtss2016@aer.gov.au))

Dear Craig,

**Re: Submission to AER on Essential Energy's Tariff Structure Statement**

Central NSW Councils (Centroc) represents over 243,000 people covering an area of more than 72,500sq kms comprising the Local Government Areas of Bathurst, Blayney, Boorowa, Cabonne, Cowra, Forbes, Lachlan, Lithgow, Mid-Western, Oberon, Orange, Parkes, Upper Lachlan, Weddin, Young and Central Tablelands Water.

Public lighting network supply is currently held to a different and substantially lower reliability service standard than for all other general network distribution customers. Indeed, public lighting network supply reliability is not measured, not reported and there is no financial consequence for non-performance. Put simply, a substantially lower service level should attract a lower price. As such, the current Essential Energy network distribution tariff applicable to public lighting represents an inefficient pricing signal and inappropriate cross subsidy from public lighting customers to other classes of network customers.

The reasons for Centroc's conclusions about the need for reform are as follows:

1. Throughout previous and current regulatory periods, public lighting supply is held to a different and substantially lower reliability service standard than general network distribution customers.
2. Under NSW Electricity Network Performance Report – Annual Report Outline (Revised June 2015<sup>1</sup>), network supply to public lighting is explicitly excluded from all NSW reliability measures (eg SAIDI, SAIFI and MAIFI) in Attachment A pages 21-22. Public lighting reliability is consequently excluded from all measures of overall network reliability reported on under mandated Ministerially-imposed licence conditions<sup>2</sup> and IPART's NSW DNSP reporting requirements<sup>3</sup>.

<sup>1</sup> [http://www.resourcesandenergy.nsw.gov.au/\\_data/assets/pdf\\_file/0004/564790/Report-2015-Outline-Distribution-Final.pdf](http://www.resourcesandenergy.nsw.gov.au/_data/assets/pdf_file/0004/564790/Report-2015-Outline-Distribution-Final.pdf)

<sup>2</sup> [http://www.ipart.nsw.gov.au/files/sharedassets/website/trimholdingbay/reporting\\_manual\\_-\\_electricity\\_distribution\\_network\\_service\\_provider\\_-\\_march\\_2015.pdf](http://www.ipart.nsw.gov.au/files/sharedassets/website/trimholdingbay/reporting_manual_-_electricity_distribution_network_service_provider_-_march_2015.pdf)

<sup>3</sup> IPART Reporting Manual – Electricity Distribution Network Service Provider, March 2015

3. The NSW electricity network reliability reports are produced consistent with the national guidelines first established by SCORRR<sup>4</sup> and as detailed in the National Regulatory Reporting for Electricity Distribution and Retailing Businesses - Utilities Regulators Forum Discussion Paper March 2002<sup>5</sup>. Of note is that:
  - public lighting customers are explicitly excluded from the definition of distribution customers<sup>6</sup>; and
  - interruptions to unmetered public lighting supplies are explicitly excluded from reliability reporting<sup>7</sup>.
4. There is no regulated reliability target for NSW public lighting with only voluntary provisions in the non-binding NSW Public Lighting Code<sup>8</sup>:
  - In Section 11.1, the Code cites the need to maintain the in-service values of the Australia Standard AS/NZ1158. This Standard sets a minimum 95% availability at any given point. 95% availability is notably several standard deviations lower level of reliability than is being targeted for other classes of network customers. And, there is no penalty specified for failing to meet even this reliability level or any incentive to exceed it.
  - In Section 11.2b, the Code says the DNSP needs to repair street lighting within an average of 8 working days of the fault being reported. In Section 12.1, a \$15 penalty becomes payable where the repair has not been completed in 12 working days. In practice, the small penalty amount is only paid to customers on application<sup>9</sup>. Notably, penalties are non-recurrent in the case of prolonged outages.
5. Prolonged outages due to underground supply faults have been excluded in Essential Energy's reporting of average repair times to Councils. Most of prolonged street lighting outages appear to be caused by network supply faults.
6. Even in the case of prolonged outages, Councils are still required by Essential Energy to pay the full capital, maintenance, energy and network distributions costs for public lighting despite the service not having been provided.
7. Unlike almost all other electricity loads, public lighting hours of operation are entirely predictable consisting broadly 80% off-peak, 10% shoulder and 10% peak usage. Public lighting is effectively a Time-of-Use tariff as the load is known with a high degree of precision based on sunset and sunrise times and AEMO unmetered load tables. Given the overwhelming dominance of off-peak usage in public lighting consumption, the current 2015/16 network distribution pricing appears particularly high.

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<sup>4</sup> <http://www.esc.vic.gov.au/public/Energy/Regulation+and+Compliance/Performance+Reports/National+Comparative+Performance+Data+-+Electricity/Energy+Distribution+Businesses+-+National+Comparative+Performance+Data+-+Electricity.htm>

<sup>5</sup> <http://www.accc.gov.au/content/item.phtml?itemId=332190&nodeId=dc4aa2ded45414f0492929936649b125&f>

<sup>6</sup> Ibid p8 Business Descriptors - Distribution Customer

<sup>7</sup> Ibid p6 Table 1: Reliability Measures, Note 3

<sup>8</sup> [http://www.resourcesandenergy.nsw.gov.au/energy-supply-industry/legislation-and-policy/electricity-legislation/codereview/electricity\\_legislation\\_nsw\\_public\\_lighting\\_code.pdf](http://www.resourcesandenergy.nsw.gov.au/energy-supply-industry/legislation-and-policy/electricity-legislation/codereview/electricity_legislation_nsw_public_lighting_code.pdf)

<sup>9</sup> NSW Electricity Information Paper No 5, p8

8. Further compounding the high network distribution pricing relative to other tariffs, the losses attributed to public lighting are higher than for any other current network distribution tariff despite the direct connection of the street lights to the network and highly predictable nature of the load and power factor.

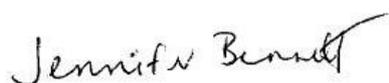
Without measurement of public lighting reliability, without reporting of outages, without incentive to repair network supply faults to public lighting and without consequence for failing to repair faults, it is clear that public lighting is held to a substantially lower reliability standard than for all other classes of network distribution customers. It therefore appears that Essential Energy public lighting customers are cross-subsidising the substantial investment in overall distribution network reliability in recent years, well beyond the reliability levels being met for public lighting customers.

Further to the points made by many of the participants at the AER's forum on 6 April, we do not consider this to be meaningful consultation. Having heard the feedback of other organisations representing customers at the April Forum, we are concerned that there is no purpose of participating in such consultations for organisations with limited resources such as ourselves.

In the absence of meaningful consultation on this public lighting network tariffs by Essential Energy, we would ask that the AER consider the points made by Centroc.

Please contact me on 0428 690 935 should you wish to discuss any of the above in more detail.

Yours sincerely,



Jennifer Bennett  
**Executive Officer**  
Central NSW Councils (Centroc)