



30 September 2021

Alex McPherson  
Head of Regulation, Customer & Strategy  
Ausgrid

Via email: alex.mcpherson@ausgrid.com.au

Dear Mr McPherson

### **NSW/ACT/TAS/NT Electricity Distributors Consultation Paper 1: Service Classification**

Thank you for working with other distributors to develop the service classification discussion paper (the Paper), for the recent briefing session and for the opportunity to comment on it.

The Southern Sydney Regional Organisation of Councils Inc (SSROC) is an association of eleven local councils in the area south of Sydney Harbour, covering central, inner west, eastern and southern Sydney. SSROC provides a forum for the exchange of ideas between our member councils, and an interface between governments, other councils and key bodies on issues of common interest. Together, our member councils cover a population of about 1.7 million, one third of the population of Sydney. SSROC seeks to advocate for the needs of our member councils and bring our regional perspective to the issues raised.

SSROC Street Lighting Improvement (SLI) Program covers a wider footprint than our members. A total of 29 councils in metropolitan Sydney, the Central Coast and Hunter, work closely together to improve the provision of street lighting services for which they are responsible. That service is mainly provided by Ausgrid to the councils and is not contestable. The councils have therefore sought to work together with Ausgrid through the SLI Program for 18 years, covering a range of pricing, technology and service-related issues. The councils participating in the program collectively encompass over 230,000 street lights or more than 90% of Ausgrid's lighting and 40% of the street lights in NSW.

In addition to their responsibility for the provision of street lighting, councils also serve their communities more broadly, and have a major interest in urban design and planning. Therefore, while most of SSROC's comments are specific to street lighting services, some are also relevant to local strategic planning matters such as smart cities and electric vehicle infrastructure.

#### **Street Lighting**

With utilities owning lighting, but councils and Transport for NSW having the exclusive legal responsibility for providing the service (as the road authorities under the NSW Roads Act 1993), it is worth examining the role of networks in public lighting technology during a period of rapid technological change.

The DNSPs work very hard to improve street lighting services and councils strongly support the current LED upgrades. However, fundamentally, councils are not free to choose which service provider they have, which lighting technologies they have, the timing of new technology rollouts or to take any normal contractual action when service levels are not up to a reasonable standard. Neither councils nor Transport for NSW have meaningful control over many aspects of the service for which they are responsible as the road authorities and local authorities, including on such

fundamentals as repairs, maintenance, efficiency and upgrades.

Recognising that street lighting is classified as an ancillary control service by the AER, and that DNSPs are therefore required to provide that service, SSROC comments assume that this fundamental constraint will stand.

We note that when the current regulatory regime was conceived, street lighting was effectively a commodity product. But this situation has changed markedly with lighting having become much more like a fast-moving, end-use consumer appliance, and our view is that the regulatory approach has become a poor fit for this service. In particular:

1. **The regulatory pricing approval cycle is problematic:** 5-year pricing approval cycles are a very poor fit with fast-moving technologies. To address this, we would advocate for a standardised and transparent street lighting and smart device pricing model to be approved by the AER rather than pricing for every individual component;
2. **Poor fit with traditional DNSP approach:** hundreds of quickly evolving variants of luminaires, smart controls, luminaire or pole-based smart city sensors and multi-function poles are a poor fit with a traditional DNSP, one-size fits all approach to selecting 'standard' lighting products on wooden or galvanised steel poles. To address this, we would advocate for much greater involvement of councils and Transport for NSW in DNSP procurement processes and greater technology choice being allowed for;
3. **DNSP procurement cycle and approach are problematic:** 3-5 year DNSP procurement cycles and long procurement processes are a poor fit with fast-moving technologies and often poorly aligned with customer objectives. To address this, we would advocate for much greater involvement of councils and Transport for NSW in DNSP procurement processes, greater technology choice being allowed for and new procurement mechanisms that allow for continual updating of products and suppliers; and
4. **Misaligned incentives:** most of the new lighting technologies, including smart lighting controls, reduce energy consumption and improve reliability, cutting revenue for the DNSPs and hence reducing incentives for adoption. There also appears to be a growing conflict of interest between this regulated service and the desire of the DNSPs to find new unregulated revenue streams (including from a range of emerging smart city devices). While perhaps one of the most challenging issues, we see a move to the DNSP becoming the 'landlord of the pole' as a better model for the future of not just street lighting but of all devices that councils and state agencies may wish to place on poles. This approach might be most easily and effectively implemented with a new state-based pole access regime with reasonable protections for the councils and with pole access charges being classified by the AER as an ancillary service. Street lighting could then be among the range of services facilitated under such a new pole access regime.

Continual debates over the fairness of street lighting pricing, service levels and technology around Australia are really just symptoms of well-meaning people on all sides trying to make things work under a regime that is no longer fit for purpose. SSROC recognises that, because of the serious misalignments identified above, the current situation is challenging for the councils, road authorities, DNSPs, DPIE and the AER.

We note that, where councils and road authorities own and manage their own lighting directly (e.g. the ACT, NT, main road authorities, NZ and the UK), they have successfully adopted new smart lighting/smart city technologies at scale on average 2-4 years earlier than the DNSPs. In the New England states of the USA and in California, the States have intervened and allowed the local municipalities to take back the public lighting and created a pole access regime to enable widespread deployment of LEDs and smart controls by US municipalities. Similarly, New Zealand separated the street lighting assets from the pole infrastructure and allocated them to the local councils when creating its electricity trusts.

These issues are not specific to lighting. As more and more parties require access to the poles, these same issues will arise across a whole array of new technologies. A fundamentally new and much easier pole access regime is needed (for lighting, EV charging, CCTV, public WiFi, dynamic

signage, sensors, autonomous vehicle infrastructure, macro/small/pico cells etc).

Councils are also concerned about the need to manage the proliferation of public infrastructure to keep footpaths clear of obstructions and to prevent the streetscape and open spaces from become cluttered with excessive street furniture. Easing and simplifying pole access would also remove an incentive to add more poles for new devices, when a dedicated street lighting pole or a distribution pole already exists.

### **Platform Services, Standalone Power Systems, Electric Vehicles and Leasing Battery Capacity**

In these other areas identified in the consultation paper, SSROC can offer only general comments.

The design and capabilities of network infrastructure, conceived for and effective at serving centralised, fossil fuel-based infrastructure, is now outdated. SSROC recognises the massive market reform efforts now underway across the NEM. Clearly the grid must change to adapt to the new requirements of distributed power generation, distributed energy storage, and renewable generation that is intermittent.

The demand side of the market is also changing and will inevitably force the grid to adapt. Consumption patterns have already changed with increasing energy efficiency efforts and the proliferation of residential and commercial solar power systems (increasingly with batteries). Electric vehicles will further change the patterns of demand. Networks have little option but to work with these changes or risk failing to meet the National Energy Objectives.

Re-framing the network as a platform for the provision of a range of service is fundamentally a move in the right direction. DNSPs are right to examine each of the services that can potentially be delivered using that platform, and where appropriate, those services should be contestable.

As noted in relation to street lighting poles, some of these emerging technologies also affect the physical public domain that local governments are responsible for, and potentially conflict with other uses and values. Councils need a degree of control over the placement of additional and enhanced infrastructure, to ensure that it can be aligned with other community needs.

### **Conclusion**

SSROC commends the joint work of the DNSPs in asking such fundamental questions about the future of street lighting and other aspects of the future of DNSPs. We would welcome further opportunities to discuss the above issues and suggested approaches with Ausgrid, with the other DNSPs and with regulators.

In order to make this submission within the timeframe for receiving comments, it has not been possible for it to be reviewed by councils or to be endorsed by the SSROC. I will contact you further if any issues arise as it is reviewed.

Should you have any further enquiries in relation to this letter, please contact me by email [ssroc@ssroc.nsw.gov.au](mailto:ssroc@ssroc.nsw.gov.au).

Yours sincerely

A handwritten signature in black ink that reads 'H Sloan'.

Helen Sloan  
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