



12 May 2023

ATTN: Arek Gulbenkoglu
General Manager
Australian Energy Regulator
GPO Box 3131
Canberra ACT 2601

Via email: AERresets2024-29@aer.gov.au

Dear Arek

RE: Ausgrid Determination 2024-29 – Public Lighting Pricing

Thank you for the opportunity to comment on the public lighting aspects of Ausgrid's 2024-29 pricing proposal. In summary and as detailed below, SSROC is broadly supportive of Ausgrid's 2024-29 public lighting proposal.

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.

The 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 street lighting service is mainly provided to the councils by Ausgrid. The councils participating in the program collectively encompass over 230,000 street lights or more than 90% of Ausgrid's lighting and about 40% of the street lights in NSW.

SSROC and the councils in the SLI Program have sought to work together with Ausgrid through the SLI Program for many years on a range of pricing, technology and service-related issues. This work has included a number of regulatory pricing reviews. In the absence of meaningful contestability, it is essential that public lighting pricing in NSW continues to be regulated by the AER in the 2024-2029 regulatory period and SSROC therefore strongly welcomes this review.

Ausgrid and SSROC have previously reached agreement on more than 180,000 LED replacements and recently reached agreement on a further 62,000 LED replacements on main roads (in conjunction with smart controls and with additional ports for smart city sensors). Ausgrid is already nearing 70% LEDs across its network, will be at about 80% by the start of the determination and at about 90% by the following year. LED pricing is therefore key to the review.

Our comments on the public lighting aspects of Ausgrid's proposal organised in response the AER questions in the Issues Paper of 28 March are as follows:

18. Do you consider Ausgrid's public lighting proposal generally incorporates stakeholder inputs from this pre-lodgement engagement? If not, did Ausgrid communicate these potential departure points to stakeholders and provide adequate explanation during prelodgement engagement?

Consultations with Ausgrid have been conducted in a transparent manner over the past six months with Ausgrid offering SSROC wide-ranging access to its analyst and its price modelling. SSROC has been given the opportunity to question and challenge key assumptions, several of which were subsequently revised. Ausgrid kept SSROC informed about key changes to its model as it developed and the impact on pricing. This degree of transparency and responsiveness is to be commended and is unlike many previous reviews that SSROC has been involved with.

19. Do you support Essential's proposed suite of public lighting services and prices?

On balance, SSROC supports Ausgrid's public lighting pricing proposal. SSROC does not necessarily agree with every assumption and input in Ausgrid's model but believes that a complex pricing model such as this must ultimately be considered in totality. SSROC is satisfied that the overall outcome is a fair and reasonable proposal. I note that SSROC has never previously felt able to be in a position to broadly support an Ausgrid pricing proposal.

SSROC's specific reasons for offering overall support for Ausgrid's pricing proposal include:

1. The degree of transparency, openness and responsiveness which has given SSROC confidence in the approach taken in Ausgrid modelling.
2. SSROC independently benchmarked Ausgrid capex and opex pricing for current standard default LEDs against the proposals of the other two NSW DNSPs and found that Ausgrid's pricing was lower in each case.
3. Ausgrid has recently returned to compliance with the NSW Public Lighting Code and committed to maintaining compliance in its submission to the AER.
4. Ausgrid appears to be making reasonable efforts to both respond to council proposals on new technology and to continue deploying LEDs in a timely manner (noting that LEDs cut overall costs for councils).
5. Under its revised CAM methodology, Ausgrid has substantially lowered the overheads applied to public lighting costs. The corporate overheads applied to public lighting, which effectively operates as a separate Ausgrid business unit in key respects, have been a long-standing concern of SSROC.
6. Ausgrid has lowered a significant number of capex and opex prices in response to a recent LED tender, the demonstrated reliability of LEDs over a number of years (evident in its declining opex expenditure) and a number of other factors.
7. Ausgrid has made two rounds of revisions to its 2020 Minor Capital Works approach lowering costs for councils (see further comments below).
8. Ausgrid has rationalised pricing without a large impact on councils (less than 0.25% for the most affected council and less than 0.1% for 30 of 33 councils served by Ausgrid).

Items that SSROC wishes to continue discussions with Ausgrid on to better understand and ensure that they are current include labour productivity assumptions for capex and opex (particularly in the context of mass upgrades), labour allocation (between luminaire and bracket), night patrols and some component failure rates.

20. Do you support Essential's proposed framework for minor public lighting capital works and the pricing that has been proposed?

As noted above, Ausgrid has made two rounds of revisions to its Minor Capital Works approach lowering costs for councils since 2020 when new charges were introduced. The latest of these changes was in an email sent by Ausgrid to all councils on 28 April 2023 outlining further cost reductions, improved transparency and improved reporting capabilities.

Councils were extremely concerned about Minor Capital Works pricing when revised in 2020. This caused many to suspend such works which SSROC viewed as a concerning development from a public policy perspective. Councils have therefore welcomed Ausgrid's revisions to the charges and its approach.

SSROC's assessment is that:

- Ausgrid charges for glare shields have been reduced by as much as 75% from 2020
 - Category P lighting \$235 + materials (vs \$700-\$2000)
 - Category V lighting \$320 + materials (vs \$700-\$2000)
- Ausgrid charges for other MCW have been reduced by 40-60% from 2020
- Ausgrid's most recently announced new process appears to be improved with improved transparency and reporting but yet to be widely tested by councils.

21. Do you have any other comments on Essential's public lighting proposal and prelodgement engagement?

SSROC makes the following three additional comments:

- SSROC and councils strongly support the opportunity for Ausgrid and councils to be able to jointly introduce new technology without waiting for annual AER pricing review during the coming 2024-29 regulatory period. Given the rapid pace of street lighting technology change (which are now effectively digital devices), SSROC encourages the AER to approve a transparent pricing model which all parties can use to more easily agree on new pricing between annual reviews and pricing resets. New public lighting technology is helping local governments improve lighting outcomes, improve reliability, improve efficiency, lower energy consumption, lower greenhouse gas emissions and cut costs.
- Councils should have the option of funding the capital cost of LED and other upgrades. The DNSP cost of capital allowed by the AER is generally higher than councils' cost of capital.
- With the introduction of smart controls (which allow both accurate location determination via a GPS chip and allow accurate energy consumption assessment via a metering chip), councils should reasonably be allowed to access an energy-only tariff. Ausgrid refers to this as Rate 3 and has declared this tariff obsolete. Compelling councils to install separate supply and metering or to use PUMS billing, adds unnecessary and unproductive costs to public lighting. Re-introduction of a Rate 3 tariff would also be a key step to facilitating greater contestability.

Should you have any further enquiries in relation to this submission, please contact me by email ssroc@ssroc.nsw.gov.au.

Yours sincerely

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

Helen Sloan
CEO
Southern Sydney Regional Organisation of Councils