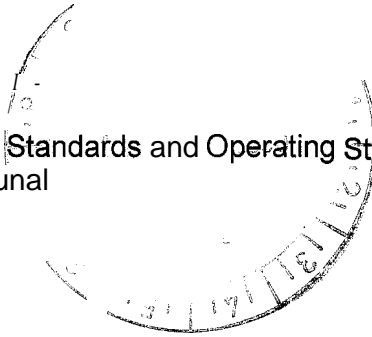


15 May 2003

Review of Guaranteed Customer Service Standards and Operating Statistics  
Independent Pricing and Regulatory Tribunal  
PO Box Q290  
QVB Post Office NSW 1230



Dr Parry,

**RE: Review of Guaranteed Customer Service Standards & Operating Statistics**

Thank you for the invitation to comment on IPART's **Issues Paper** on service standards. On behalf of the twenty councils participating in the Street Lighting Improvement Program ("the Program"), we welcome this opportunity to provide input particularly with reference to the treatment of street lighting services.

The Street Lighting Improvement Program was established to implement the recommendations of an extensive review of street lighting undertaken in 2002 on behalf of 17 southern and inner Sydney councils. The review covered a wide array of street lighting issues including regulation, contracts, finances, technology, maintenance, environmental issues and standards compliance. The initial 17 councils have recently been joined by Bankstown City, Lake Macquarie City and Newcastle City Councils, so the Program now covers councils from southern and inner metropolitan Sydney through to the Hunter. Collectively, the street lights in the member councils' jurisdictions constitute some 57% of EnergyAustralia's street lights, and about 27% of the total in NSW. It is in this context that we make our comments on service standards.

**Overall, we believe that:**

- 1) appropriate service standards for street lighting services are essential to achieving the Government's objectives; and**
- 2) while an effective service standard for street lighting services would involve considerably broader attributes than previously considered by IPART, development of such a standard should be achievable in a timely fashion, particularly given the availability of interstate precedent.**

The following comments detail the above points and respond to some of the specific queries put forward in the Issues Paper, as they relate to street lighting services.

## 1) Why Service Standards for Street Lighting Services are Urgently Needed

At present, there are effectively no service standards for the supply of street lighting services in NSW.<sup>1</sup> The need for a service standard is based on the following:

- **No Effective Competition or Choice** - For the vast majority of street lighting services, which are supplied using DNSP-owned lighting fixtures, councils have no meaningful alternatives to the local DNSP for the provision of street lighting services. There is neither effective competition nor even well-defined contestability. This places councils at a great disadvantage in negotiating with DNSPs.

The absence of effective competition and choice, coupled with an absence of meaningful service standards, leaves councils entirely at the disposal of the DNSP. For the councils participating in the Street Lighting Improvement Program, the result has been a poor level of service from EnergyAustralia with no meaningful recourse. There is a wide range of documented recent examples of poor service, some of which are included as Attachment 1.

- **No Contractual Arrangements or Service Agreements** - Without effective competition and service standards, councils are at a severe disadvantage in attempting to negotiate a service agreement with the DNSPs. Recognising that there was tremendous contractual uncertainty surrounding many street lighting matters, the initial 17 councils participating in the Street Lighting Improvement Program wrote to the Managing Director of EnergyAustralia in June 2002 stating that,

*"As it stands, there does not appear to be a contractual basis of supply for street lighting. Councils are seeking to jointly develop a service agreement with EnergyAustralia that would address:*

- *charges for street lighting services (e.g., all non-energy charges);*
- *service standards for lighting, design, installation and maintenance issues;*
- *billing and reporting to enable performance monitoring;*
- *procedures for the notification and explanation of pricing /service alterations; and*
- *asset ownership issues."*

The response from EnergyAustralia in August 2002 was that, *"EnergyAustralia is happy to discuss these issues and possibly enter into a memorandum of understanding in regards to these issues."* From this statement and subsequent comments by EnergyAustralia management, it does not appear to councils that EnergyAustralia is willing to enter an agreement with contractually enforceable provisions.

Undeterred, councils subsequently prepared a detailed draft service agreement that was submitted to EnergyAustralia in October 2002 for discussion (a copy of this draft can be made available to IPART upon request on a confidential basis). EnergyAustralia has verbally expressed some concerns about particular items in the draft service agreement but has yet to formally respond or to suggest any alternative approach. EnergyAustralia has indicated that it intends to undertake a lengthy review of street lighting costs and service before it would be in a position to undertake discussions of a service agreement.

In short, despite sustained council effort on this matter, little progress has been made since it was first raised with EnergyAustralia some 11 months ago.

<sup>1</sup> The current GCSS applying to street lighting services is discussed in Section 2 below.

- **Essential Community Service** - Street lighting is an essential service for the community with important safety, security and amenity aspects. As such, street lighting needs to be provided and maintained to a reasonable standard and with appropriate levels of public accountability.

For government, failure to ensure an efficient and effective street lighting service has significant implications. This includes financial implications for NSW Treasury as the primary shareholder in the companies with the vast majority of street lighting assets, safety implications for the RTA and the Motor Accidents Authority, security implications for the NSW Police Service and a wide variety of implications for local government. A minimum NSW Street Lighting Service Standard would assist all these parties to ensure an efficient and effective service is delivered state-wide. Given the strong monopoly position of the suppliers, having no formal regulatory arrangements for such an essential service appears inconsistent with good governance and best practice in public administration. Indeed, it is difficult to identify precedent for a relatively unregulated approach to a similarly monopolistic situation.

- **Significant Cost Item** - In addition to being an essential community service, street lighting is a costly item for NSW councils who spend approximately \$60 million per year on the service. EnergyAustralia alone suggests that the “*Optimised Replacement Cost*” of its public lighting assets is \$245 million. Again, given the relatively strong monopoly position of the suppliers, having no formal regulatory arrangements for such assets appears inconsistent with good governance and best practice in public administration.
- **Lack of Service Standards Leading to Inefficient Investment** - The current lack of service standards has created administrative uncertainty, left a wide variety of service disputes unresolved for extended periods and lead to difficulties in managing the assets effectively. Indeed, the 2002 Street Lighting Review and subsequent detailed technical and financial analyses of street lighting technologies, undertaken in extensive consultation with lighting technology suppliers has provided significant evidence that the current regulatory regime does not foster an environment with an efficient level of investment, efficient operating and maintenance practices nor is there efficient use of existing infrastructure (as called for under Sections 6.10.2 (d-f) of the National Electricity Code). Examples illustrating this point have been outlined in Appendix 1 (eg continued installation of obsolete technology and inappropriate maintenance practices).

## **2) Developing Meaningful Service Standards for Street Lighting Services**

Under current regulations, there is only one service standard that specifically applies to street lighting services, and that standard appears almost wholly irrelevant, providing no protection to councils or the community.

The particular standard requires that a DNSP must “*repair faulty street lighting on or before the date agreed between the customer and the service provider.*” However, there is no obligation on the DNSP to agree to a date for repair, much less to agree to a reasonable date. Further, the obligation “applies only ... if the customer’s premises abut the part of the street that (but for the fault) would ordinarily be illuminated by the street lighting,” making it almost entirely irrelevant. That is because councils, which are the

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<sup>2</sup> Electricity Supply (General) Regulation 2001, Schedule 3, Part 2.

customer of street lighting services, typically do not own the premises adjacent to lit streets. Rather, those premises are owned and occupied by residents and other private parties. Residents and business owners suffering from street lighting faults receive no protection under the current regulation, as they are not the street lighting customer, and councils receive no protection, as the abutting premises are not the councils.

While the current service standard regulations for street lighting services are not meaningful, there are proposed standards that would be appropriate and lead to improved street lighting outcomes. Based on a review of precedent in other jurisdictions and on the findings of their 2002 Review, the initial 17 councils participating in the Street Lighting Improvement Program developed Proposed Service Standards for Public Lighting Services in New South Wales (included as Attachment 1). These proposed service standards were provided to the Ministry of Energy and Utilities for discussion and their consideration in 2002.

Developing a meaningful street lighting service standard should be achievable in a relatively short time, particularly given the availability of interstate precedent. For example, in Victoria, parties have the benefit of both the Victorian Public Lighting Code<sup>3</sup>, which addresses critical issues such as service standards for street lighting services, and service agreements between Distribution Network Service Providers and Councils.

Based on a meeting with the previous Minister for Energy and Utilities in early 2003, we understand that the Ministry of Energy and Utilities is developing terms of reference for a broad review of street lighting services, which would include development of appropriate service standards. The Street Lighting Improvement Program welcomes this effort, and looks forward to participating fully in the review, along with both IPART and MEU.

**3) Responses to specific IPART Queries**

***IPART Query – What aspects of service quality should be measured (Section 4.7, p. 8), and what are appropriate compensation levels (Section 6.7, p. 79) ?***

The draft Service Standards for Public Lighting Services in New South Wales suggests several aspects of service quality that should be measured, and associated compensation levels. These are summarised in Table 1.

**Table 1** (Extract from *Proposed Service Standards for Public Lighting Services in NSW* – See Attachment 1) :

<b>Performance Measure</b>	<b>Performance Standard</b>	<b>Compensation to Each Public Lighting Customer for Non-Performance</b>
<b>1) Fault report handling</b>	Fault handling completed as per Section 11 including a call centre and internet site accepting reports of public lighting faults 24 hours per day, regular promotion of reporting mechanisms and recording of feedback and faults.	\$150 per day or part thereof (minimum 3 hours) that the designated telephone line is unavailable.

<sup>3</sup> [http://www.esc.vic.gov.au/PDF/2001/PublicLightCode\\_Sept01.pdf](http://www.esc.vic.gov.au/PDF/2001/PublicLightCode_Sept01.pdf)

<b>2) Planned maintenance</b>	Planned maintenance tasks completed as per Section 10 and date of last re-lamp entered in <i>Street Lighting Inventory</i> within 10 days.	\$2 per month per <i>Luminaire</i> that any planned maintenance task is delayed beyond the schedule agreed to in consultation with the <i>Public Lighting Customer</i> .
<b>3) spot maintenance</b>	Outages or other defects compromising performance identified through the fault reporting mechanisms and night patrols are to be rectified as follows: <ul style="list-style-type: none"> <li>▪ Single lamp outages rectified within 2 <i>Business Days</i> of report</li> <li>▪ Multiple lamp outages (3 or more consecutive lights) rectified within 1 <i>Business Day</i> of report</li> <li>▪ Other faults repaired within 2 days if <i>Significantly Compromising</i> the performance of the <i>Luminaire</i> and within 30 days if <i>Moderately Compromising</i> the performance of the <i>Luminaire</i>.</li> <li>▪ Lights on in daylight hours repaired within 30 days of being reported.</li> <li>▪ Date of spot maintenance entered in <i>Street Lighting Inventory</i> within 24 hours of repair completion.</li> </ul>	\$15 to the first reporting party if not rectified within the agreed time; and  \$15 to the <i>Public Lighting Customer</i> if not rectified within the agreed time.  Additional payments equal to the above are to be made for each successive 7 day period during which an outage fault <i>Significantly Compromising</i> performance is not rectified.
<b>4) Performance Reporting</b>	Provision of a quarterly <i>Public Lighting Performance Report</i> .	\$1000 per month of delay in providing <i>Public Lighting Performance Report</i> as measured from the end of the quarterly reporting period.

***IPART Query – Which aspects should be measured as GCSS and which as operating statistics (Section 4.2, p. 9)?***

All of the service standards identified in Table 1 should be Guaranteed Customer Service Standards (GCSS) rather than operating statistics. They can all be readily measured, and implementation should involve low administrative costs. As there is generally no effective competition in the provision of street lighting services, and even contestability is unclear, it is essential to have GCSS to clearly define DNSP obligations and to create appropriate incentives for the DNSP to meet the councils' needs as street lighting customers.

***IPART Query – How can examples from other jurisdictions inform the choice of GCSS measures in NSW (Section 4.3.3, p. 12)?***

The Victorian Essential Services Commission, working with DNSPs, customers and other interested parties, has developed and implemented a Public Lighting Code<sup>4</sup> that

<sup>4</sup> [http://www.esc.vic.gov.au/PDF/2001/PublicLightCode\\_Sept01.pdf](http://www.esc.vic.gov.au/PDF/2001/PublicLightCode_Sept01.pdf)

addresses many of the critical issues of service standards for street lighting services. That Code provides valuable precedent for NSW.

***IPART Query- Are robust data available to measure service quality (Section 4.5, p. 14)?***

The service standard items identified in Table 1 can all be readily measured with low cost and high accuracy. Indeed, it is hard to imagine how the assets could be efficiently managed without the collection of the same underlying data required to measure service quality.

***IPART Query- Should the arrangements include provisions to exclude the impact of events outside the utility's control (Section 4.6, p. 15)?***

No provisions to generally exclude the impact of external events are required for the service standard items identified in Table 1. Exclusions would be administratively complex and reduce the incentive for DNSPs to plan for external events. Further, they would have negligible effect in reducing risk to DNSPs, as the quantum of compensation proposed for each standard in Table 1, and hence the risk, is low.

In the case of a catastrophic event (eg a major storm damaging a significant number of lights) we note that prompt restoration of public lighting should be an essential public safety priority. Again, we do not see that provisions to exclude the impact of such events are required for the service standard items identified in Table 1.

***IPART Query- How should standards levels be set (Section 5, p. 17)?***

The standards levels proposed in Table 1 were chosen as those which would be economically and efficiently achievable assuming effective asset management plans and implementation. They are based on precedent such as the Victorian Public Lighting Code together with consideration of the specific service deficiencies identified in the 2002 Street Lighting Review.

In general, the suggested penalties are set at levels that would negate any short-term cost savings the DNSP gained by avoiding an essential maintenance task plus a moderate penalty component to ensure that there is incentive to provide an appropriate level of service.

***IPART Query-- When should compensation be payable (Section 6, p. 18)?***

In general, compensation should be payable at the next billing cycle (generally within 30 days) to reflect the fact that councils are being charged for a service which has not been provided during that period.

***IPART Query- Should compensation be paid automatically, or should customers be required to apply for compensation (Section 5, p. 17)?***

Compensation should be paid automatically to ensure that DNSP's couldn't gain inappropriate short-term financial benefit by deferring essential street lighting maintenance and thereby jeopardising public safety.

I hope that the issues raised in this submission provide useful input to the current process and more broadly to the deliberations on the 2003 Network Pricing Determination. We would be delighted to work together with IPART to this end, and look forward to doing so.

I would be pleased to answer any questions you have related to the matters raised in this submission.

Yours sincerely

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

Robin Roy

cc: Executive Director, SSROC