

- (i) The use of Ergon Energy's East pricing zone, Transmission Region 1 network tariffs is considered appropriate, provided that these network tariffs are appropriately revised in the near future to incorporate strong time-of-use pricing signals.
- (ii) If it is assumed that notified prices for very large Ergon Energy customers are to be retained, there appears to be no practicable alternative to the current practice, unless the Authority wishes to consider introducing a notified retail pricing component to be applied on top of site-specific network charges.

The Authority seeks stakeholders' views on the following:

- (a) How should obsolete and transitional tariffs be increased towards cost-reflectivity, given the 10% increase applied in 2013-14?*
- (b) Any other suggestions on how customers might be transitioned to cost-reflective prices over the remaining six years of the transition period.*

The Authority should **not** attempt to make up the 2013-14 shortfall by increasing the 2013-14 prices to the level they would have been at had the Authority's decision not been over-ruled, and then calculate prices for 2014-15 using the same escalation method as used for 2013-14. The option of not undertaking any catch-up and applying the 2013-14 escalation method to the capped 2013-14 prices is preferred. As has been previously advised, Council must pass any significant increase in electricity prices on to ratepayers through higher water rates. The additional cost pressures imposed by attempting to catch-up the 2013-14 capped price shortfall would result in an unacceptably large increase, particularly given that the expected introduction of time-of-use network tariffs under Ergon Energy's review is likely to result in a very different transitional endpoint for Council's large water and wastewater accounts.

In addition to responding to the Authority's specific feedback questions, Council wishes to make comment on the matter of Street Lighting Tariffs which were discussed in the Interim Consultation Paper, but for which responses were not specifically requested.

Council currently operates about 14,000 street lights and spends approximately \$3.5 M annually on electricity charges for street lighting and traffic signals. The introduction from 1 July 2014 of non-energy lighting charges has the potential to significantly further impact on Council's operating costs, as is the case with water pumping costs. Council's only short term option is to recover additional electricity costs from residents in the form of increased rates charges. Increased charges should be phased in over a number of years to lessen the immediate financial impact.

Yours faithfully,


Kevin Flanagan
GENERAL MANAGER WATER & WASTE SERVICES