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Queensland Competition Authority
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Dear Sir/Madam

Brisbane City Council Submission on the Draft Determination Regulation of Electricity Distribution

Brisbane City Council is pleased to make this submission to the Queensland Competition Authority (QCA) in response to the QCA's Draft Determination "Regulation of Electricity Distribution" issued on the 23rd December 2004.

Brisbane City Council (BCC) is a large consumer of electricity with annual electricity consumption in excess of 200GWh. In addition to this, BCC is concerned by recent reports of problems with the quality of service the electricity distribution network is providing to Brisbane businesses and residents.

BCC encourages the QCA to consider options for providing financial incentives to Distribution Network Service Providers (DNSPs) to meet and particularly exceed the minimum standards set by the Queensland Government in licenses. This delivers a benefit to all consumers and the DNSPs should be rewarded for improving network reliability. We suggest that the QCA consider the South Australian model described by ESCOSA in Chapter 3 of their recent Draft Determination for delivery of this outcome.

BCC strongly supports measures to underground services particularly in areas affected by storm damage. This measure will direct efforts to those sections of the network that are more exposed to natural hazards and will generally attract attention to the oldest parts of the network.

The other benefit of financial incentives for increased service standards is that the DNSP would need to clearly state the performance standard of the network. This will allow customers to plan and design reliability of our infrastructure and processes based on the stated performance standards for the electricity network.

BCC is currently investing very large sums of money to incorporate standby generation plant into the water and sewage distribution systems to improve reliability of these systems. This reliability is generally limited by the reliability of the electricity network. We believe that the network provider (Energex) may have been able to improve reliability of supply to our systems to a satisfactory level if the costs could have been spread across a wider customer base. For example, providing a second feeder into a network to improve reliability would benefit all consumers on that part of a network and the opportunity should exist for costs to be shared amongst those customers.

To facilitate this BCC prefers a mechanism for review and re-negotiation of existing Connection Agreements to allow Energex to negotiate specific service standards and associated arrangements with its customers.

BCC is also concerned by the lack of attention to the potentially beneficial effects of well-constructed and executed Demand Side Management (DSM) programs. DSM can make a significant contribution to the emerging peak load problem in South East Queensland and BCC recommends that the QCA include guidelines for distributors to consider DSM in the final determination.

BCC recommends that the QCA add a specific section in the Final Determination dealing with Demand Side Management. This should recommend a program of work based on precedents set in other Australian States and should include a requirement for DNSPs to develop and implement a sensible and practical Demand Side Management program to lessen the impact of emerging peak demand problems. Brisbane City Council has commenced discussions with Energex, the Queensland Environmental Protection Agency and the Department of Energy on ways of addressing demand growth in the City. One of the main barriers identified in this process was the lack of ability for Energex to treat DSM as an alternative to network augmentation under the current distribution rules administered by the QCA. We are advised that under the current rules, Energex are not able to earn a return on any investment other than infrastructure upgrades. This means that Energex are able to invest in DSM but this investment may not deliver a financial return to Energex.

BCC request that Energex be permitted to receive a return on investment in DSM at the same rate as investment in network infrastructure where it can be demonstrated that the DSM program delivers the same outcome at a lower cost.

The models adopted by IPART in NSW should be considered by the QCA when making this determination.

Brisbane City Council is concerned that unless the issue of growing peak demand is addressed, the electricity distribution system could fail at times of peak demand. We have recently observed peak demand increase at a rate of almost 3% in a month. Increases in air conditioning load could result in failure of the electricity network to supply demand. BCC requests that the QCA and the Queensland Government take action to ensure that the electricity network can keep up with demand. Demand Side Management is considered a key component of any strategy in this environment and although Energex

have little experience in this activity, this should not be an excuse not to act. In particular, the regulatory provisions for the next period (2005 to 2010) should be flexible enough to allow DSM as a valid alternative to investment in additional network infrastructure.

Brisbane City Council is happy to discuss its submission with the QCA at any time. Please contact Andrew Aitken on ph: 3403 5168 for any further information.

Yours sincerely



Jude Munro

CHIEF EXECUTIVE OFFICER