

Attachment A

**Letter from Ausgrid dated 29 June 2018
Accelerated Replacement Program**



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June 29 2018

Mr Kim Woodbury
Chief Operating Officer
City of Sydney
PO Box 1591
Sydney NSW 2001

Dear Mr Woodbury

Proposal - Accelerated Replacement Program – Residential and TRL Roads

Ausgrid is pleased to present this preliminary proposal for the replacement of certain street lights within your local government area with LED equivalents. This proposal targets non efficient street lights on residential and major roads but does not include floodlighting or decorative luminaires in parks and other public spaces. Ausgrid is offering councils 4 different payment options that allow councils to either pay Ausgrid's annual tariffs or to pay for the cost of the installations up front. Ausgrid is also allowing councils to pay the residual value of the assets being removed up front or continue to pay the Pre 2009 fixed charges until assets reach the end of their economic life. Whichever option council choose, Ausgrid will own and maintain the assets under the regulated framework.

Scope of Works

Ausgrid will undertake the replacement of luminaires identified in the attached spreadsheet. Ausgrid's current inventory has identified 9,641 street lights within your council area that will be replaced under this project. Public lighting capital works and ongoing maintenance is a regulated service and will continue to be provided as such. Ausgrid's Public Lighting Management Plan forms the basis of our service level and is guided by the NSW Public Lighting Code.

Street Lighting Smart Controls are not part of this roll out, however all luminaires contain 7 pin NEMA sockets and have dimmable lighting drivers so that this technology may be used in the future.

Ausgrid has made some broad assumptions regarding luminaire and bracket choice listed below:

Category P assumptions:

1. Where a luminaire is installed on road that has a roadway reserve width (RRW) of less than 12m, Ausgrid is proposing to use a luminaire specifically designed for this configuration (StreetLED Mk2 17 RRW). These luminaires will be mounted on 0.5m bracket with 0 degree upcast so as to minimise glare into neighbouring properties except where the existing bracket is greater than 2m, in which case that bracket will remain.
2. 125W MBF luminaires are being replaced with a StreetLED Mk2 28W. 0.5m, 0 degree upcast angle brackets will be used on RRW's of 12m or less where the existing bracket is up to 2.0m in length. Larger brackets will not be replaced as it is likely these have been installed for a specific reason such as a tree lined street.
3. All other luminaires on roads with a road reserve width greater than 12m will be replaced with either a StreetLED mk2 17W or GE Evolve 20W. Brackets less than 2.0m will be replaced with a new 2.0m bracket. Brackets greater than 2.0m will not be replaced.

Category V assumptions

1. 150W HPS, 150W HPS Active Reactor and 250W MBF luminaires will be replaced with Aldridge VLED 100W luminaire. Brackets will only be replaced if there is a need due to condition.
2. 250W HPS, 250W HPS Active Reactor and 400W MBF luminaires will be replaced with Aldridge VLED 200W luminaire. Brackets will only be replaced if there is a need due to condition.
3. 400W HPS, 400W HPS Active Reactor and 700W MBF luminaires will be replaced with Aldridge VLED 298W luminaire. Brackets will only be replaced if there is a need due to condition.
4. 100W HPS and 100W MBI luminaires will be replaced with LRL NXT 42W LED luminaire. Brackets will only be replaced if there is a need due to condition.

During the course of the replacement program manufacturers may present incremental updates to their product. Where appropriate and after a technical review, Ausgrid may introduce these as standard. Where there are cost implications, Ausgrid will consult with Council.

Capital Cost of Project

Council will be required to pay both the capital cost of installation of new street lights and brackets and any residual value associated with the early removal of existing street lights and brackets. Ausgrid is offering both up front and annual charges for councils to pay these charges as listed below:

1. Annual rate 1 capital annuity charges + residual value of luminaire/bracket being replaced in full at financial year end
2. Annual rate 1 capital annuity charges + residual value of luminaire/bracket being replaced over remaining life of asset

3. Capital charges up front + residual value of luminaire/bracket being replaced in full at financial year end
4. Capital charges up front + residual value of luminaire/bracket being replaced over remaining life of asset

Estimated total annual annuity charges luminaires FY19 – \$1,101,918.81 Ex GST

Estimated total annual annuity charges brackets FY19 – \$20,345.59 Ex GST

Upfront capital cost luminaires + brackets FY19 – \$9,390,311.51 Ex GST

Total Residual value of assets being replaced FY19 – \$2,888,859.95 Ex GST

Where council chooses to pay the capital and residual values in full, this value is calculated in the financial year that the asset is replaced. The table above details the total charges if all assets are replaced in FY19. If replacements occur beyond FY19, a new residual value and capital charge will be calculated to reflect the financial year in which they are replaced.

Further details of all charges are included in the attached spreadsheet. There may be some variance to the total capital charges depending on the options chosen by council and the actual field inventory. This is why the above charges are estimates. This will be trued up at the completion of the project.

Timing of Project

Once formal approval and acceptance of charges is received from council, Ausgrid will schedule works with council to occur across a mutually agreed time frame. Due to the complexity and size of this project, Ausgrid requires commitment from council that they are willing to see the project through to completion once started.

Choice of Luminaires

If council has a preference of luminaire type this should be indicated in the attached response form.

Choices for category P4/P5 luminaires are:

- 17W Sylvania StreetLED mk2 P4/P5
- 20W GE Evolve P4/P5

Currently Ausgrid has only one option for replacement of category V street lights. This is detailed below in the Individual Luminaire Capital Charges section below.

If council wishes to use a mix of the category P4/P5 luminaires, Ausgrid will allocate as close to a 50% mix as possible. Ausgrid proposes that where a mix is selected that the type of light will be limited to map sections so that individual streets will have the same type of light installed.

Individual Luminaire Capital Charges FY19

Details of the capital charges are listed below. Council has the choice of either an upfront charge or the regulatory rate 1 charge over a 10 year period. Rate 1 charges will increase by CPI each year until year 10.

- 1. 17W Sylvania StreetLED mk2 (P4/P5)**
 - Up-front charge - \$481.08 or
 - Rate 1 annuity charge - \$58.71

- 2. 17W Sylvania StreetLED RRW (P4/P5 RRW less than 12m)**
 - Up-front charge - \$492.46 or
 - Rate 1 annuity charge - \$60.10

- 3. 20W GE Evolve (P4/P5)**
 - Up-front charge - \$407.73 or
 - Rate 1 annuity charge - \$49.76

- 4. 28W Sylvania StreetLED mk2 (P3)**
 - Up-front charge - \$492.46
 - Rate 1 annuity charge - \$60.10

- 5. 42W LRL NXT (V5)**
 - Up-front charge - \$725.27 or
 - Rate 1 annuity charge - \$88.51

- 6. 100W Aldridge VLED (V3)**
 - Up-front charge - \$1,269.05 or
 - Rate 1 annuity charge - \$154.87

- 7. 200W Aldridge VLED (V1)**
 - Up-front charge - \$1,269.05 or
 - Rate 1 annuity charge - \$154.87

- 8. 298W Aldridge VLED (V1)**
 - Up-front charge - \$1,420.81 or
 - Rate 1 annuity charge - \$173.39

Notes

1. All charges are Ex GST.
2. Rate 1 annuity charges cease after 10 years.
3. Upfront and Rate 1 charges are firm only for lights replaced in FY19

Individual Bracket Capital Charges FY18/19

Brackets that are installed as part of this program can be paid up front or at Ausgrid's rate 1 charges. Again, the up-front charge is based on a discount rate that is described in additional detail in the attached spreadsheet.

1. 2m Bracket

Up-front charge - \$214.68
Rate 1 charge - \$12.10

2. 0.5m Bracket

Up-front charge - \$151.89
Rate 1 charge - \$8.56

Notes

1. All charges are Ex GST
2. Rate 1 annuity charges will be charge continuously throughout the life of the asset.
3. Upfront and Rate 1 charges are firm only for brackets replaced in FY19

Adjustments to Rate 1 annuity charges

All Rate 1 annuity charges are based on current rates at the date of this letter and are subject to adjustment to reflect future regulatory determinations. Ausgrid reserves the right to increase or decrease its Rate 1 annuity charges based on the outcome of any such regulatory determinations.

Up-front Capital Charge

Where Council chooses to pay the cost of the project upfront in lieu of Ausgrid's rate 1 tariffs, an initial 20% of the total upfront capital charge will be invoiced to Council at the commencement of the project. Depending on the size of the project, there will be two or three progress payments. This is to be discussed and agreed with Council prior to commencement. Note that as upfront charges are calculated based on current Rate 1 charges (subject to adjustment and discounting as described in the attached spreadsheet), there will not be any adjustment to upfront charges based on future regulatory charges

Volume Discount

Where the upfront capital charge has been chosen, there is potential to reduce the capital costs. This will be on a case by case basis and determined if applicable after volumes are known.

Ongoing Maintenance Charge

Once the new luminaires are installed, they will be subject to an ongoing yearly maintenance charge. The charge in FY19 for residential LED street lights will be **\$34.11** per luminaire and **\$36.83** per major road LED luminaire and will be adjusted annually as per regulated street lighting charges. Estimated annual maintenance charge for FY19 for the newly installed LED's is **\$344,472.75** Ex GST

Adjustment at the end of the Project

Once the project is completed, Ausgrid will compare the proposed number of replacements with actual number of new luminaires installed in the field and make any necessary adjustments as required. A final credit or invoice will be issued at the completion of the project.

Next Steps

To proceed with this project, please complete the attached project approval form and return via email to John Bedding at publiclighting@ausgrid.com.au

Once your **approval to commence project form** is received, the work will be scheduled, materials ordered and you will be provided with a commencement date, timing of up-front payment (if applicable), progress payments (if applicable) and residual payments and an Ausgrid project manager will be appointed.

Street Lighting Smart Controls

Although not a part of this roll out, Ausgrid is trialling a number of smart control systems. Ausgrid over the coming months will be discussing this technology with council to understand what aspects council are interested in. There are vast number of technology choices that all have cost/value trade-offs which need to be explored with council.

Ausgrid looks forward to receiving your approval and working with you on this project.

Regards,



Paul Cahill
Head of Customer Experience

