



31 March 2010

The Committee Secretary
Senate Standing Committee on the Environment,
Communications and the Arts
CANBERRA ACT 2601

Cnr Fitzroy & Alma Streets
Rockhampton QLD 4700
PO Box 308
Rockhampton QLD 4700
Website: www.ergon.com.au

Dear Sir

Inquiry into the Telecommunications Legislation Amendment (Fibre Deployment) Bill 2010

Ergon Energy is pleased to respond to the Committee's invitation to make a submission to the inquiry into the Telecommunications Legislation Amendment (Fibre Deployment) Bill 2010 ('the Bill').

Telecommunications is a vital requirement for the safe and efficient operation of an electricity network. Ergon Energy's 'Network Vision' includes the provision of a ubiquitous end-to-end telecommunications network for protection, remote network monitoring and control, communications to field staff, network equipment and to customer premises especially for demand management. These requirements support the concepts known as 'Smart Grid' or "Smart Infrastructure" and are essential for the ongoing provision of an efficient, reliable and robust electricity supply in the twenty first century.

There are many direct economic and public benefits from the provision of a safe and reliable supply of electricity. The demand of society and the digital economy on electricity networks are such that it is imperative that networks be modernised through the use of smart infrastructure. This is fundamentally dependent upon access to a robust communications infrastructure and services.

The provision of telecommunications in an efficient and reliable manner to meet the needs of electricity utilities is a pre-requisite for utilities. In the past utilities world wide have, in the main, resorted to providing their own infrastructure due to technical, reliability, fit with asset cycles and costs/risks associated with the use of third party networks.

Ergon Energy notes that the Explanatory Memorandum to the Bill indicates that the Regulatory Impact Statement for the Bill treats the goal of having Fibre-to-the-Premises ('FTTP') installed to the greatest extent possible in new developments and establishing a framework as a separate question from who are the service providers within that framework and whether those service providers receive any assistance by way of subsidy or otherwise.

Like a number of other industry stakeholders, Ergon Energy considers that the provision of a ubiquitous National Broadband Network (NBN) provides the opportunity for establishment of a direct relationship between utilities and designated service providers, such as the NBN Company (NBNC) to provide services for many of the utility needs.

Ergon Energy's experience to date has been that if a utility has to either obtain services through various retail service providers (RSPs) and/or through various network owners (e.g. in Greenfield estates or infill developments) there is much greater potential on the ground for fragmented and inconsistent approaches to be adopted across the same network service area. From the utility provider's perspective, this generates increased transaction costs and overheads through servicing a multitude of relationships and networks that would make it difficult and unlikely for utilities to be able to use the infrastructure provided in the most prudent and efficient manner possible.

A model which we consider has operated successfully in the utility industry and could be adapted to the current scenario in this regard is one where developers are responsible for providing infrastructure within their developments and then hand the assets to the local utility or council depending on the service – roads to council, water to water utility, electricity to the local electricity network service provider. The builder of the residence or commercial premises then provides the connections from the developer provided assets to the buildings – driveway, water, electricity.

In the same way, a developer could provide the street reticulation and hand it over to a designated service provider (e.g. NBN Co), the builder could make the connection into the house and install the Optical Networking Terminal (ONT) and then hand these across to the service provider to manage. This would create economies of scale and RSPs and utilities would only have a single national network operator to deal with.

Ergon Energy has already identified that the use of the NBN could be a technically and economically viable option for operation and monitoring its distribution network (downstream) from its major substations and possibly for future customer metering and related demand management. As Ergon Energy's network serves all customers within its area of supply complete coverage is essential. In addition, the most important use of telecommunications is at times of interruptions to the electricity supply, therefore the reliability and security of telecommunications systems. A connection from Fibre Access Nodes (FANs) with a secure and backed up power supply is the most secure and reliable point to connect Ergon Energy's high reliability network to a third party network. If a fragmented service provider approach is adopted, there is greater potential to include telecommunications systems relying on remotely located switches or connections, thereby increasing the incidence of single points of failure.

In summary, like many other stakeholders, Ergon Energy welcomes the proposed improvements in relation to establishing a framework aimed at having FTTP installed to the greatest extent possible in new developments. At the same time, given the pace at which the development industry is moving, Ergon Energy also suggests that further policy debate and discussion occur as soon as possible in relation to development of the service delivery model that will generate the most efficient outcomes possible in this regard and sees Greenfield Developments reticulated with

fibre and connected and managed by a designated service provider (e.g. such as NBNCo) as providing high potential to deliver a level of service and reliability that is suitable for use by all potential customers including electricity utilities.

Yours sincerely

Neil Lowry
Executive General Manager
Asset Management