



Economic Regulation Authority

Promoting fair prices, quality services and choice

PUBLIC CONSULTATION

Inquiry into State Underground Power Program Cost Benefit Study

DRAFT REPORT

The Economic Regulation Authority is seeking public comment on its [draft report](#) inquiring into the costs and benefits of the State Underground Power Program (SUPP).

The SUPP was introduced by the State Government in 1996 to replace existing overhead electricity distribution lines and poles with underground lines. Over 95 per cent of the program's costs are for major residential projects in existing suburbs. The remaining costs are for special projects to enhance particular local areas of scenic, tourism or heritage significance.

The Authority has identified the costs and benefits of the SUPP major residential projects and quantified these where possible. The Authority found that the program has been of positive value to Western Australians, producing benefits in the order of two and a half times the cost of the program.

The costs of the SUPP include the operating and capital costs of removing overhead power lines and installing underground lines. The benefits of the program include:

- avoided maintenance costs to Western Power;
- increased property values;
- improved visual amenity of streetscapes;
- improved reliability and quality of electricity supply;
- fewer vehicle collisions with power poles;
- fewer accidents due to live-wire contact;
- lower street tree pruning costs; and
- less pesticide and herbicide use on street verges.

The Authority has found that the majority of these benefits (between 75 and 90 per cent) accrue to local governments and their ratepayers, as reflected in increased property values in suburbs receiving underground power. The benefits to Western Power were estimated at between 5 and 15 per cent, and to the wider community (State Government) at between 5 and 10 per cent.

Currently, major residential SUPP projects are funded by local governments (50 per cent), Western Power (25 per cent) and the State Government (25 per cent). The Authority proposes that the funding of major residential SUPP projects be more reflective of the re-assessed share of benefits, with local governments and their ratepayers responsible for between 75 and 90 per cent of payments, Western Power between 5 and 15 per cent and the State Government between 5 and 10 per cent.

The current funding arrangements have resulted in some inequities. Homeowners have generally benefitted more from the SUPP projects than they have paid to install retrospective underground power, although the benefit increases with property values. Taxpayers and Western Power customers, who have paid more than they have benefitted from SUPP projects, have subsidised homeowners through the program.

It may be equitable for any future State Government contributions to continue at a higher level than the proposed 5 to 10 per cent if the subsidy is directed towards areas with lower property values. However, projects should only proceed if ratepayers are willing to pay their share (after taking into account any Government contributions).

The Authority has also found that there may no longer be a need for the State Government to be involved in the delivery of retrospective underground power, as local governments should ideally be able to purchase this service directly from Western Power.

The Treasurer has approved an extension for the Authority to deliver the final report for the inquiry, from 31 July 2011 to 30 September 2011, in order to provide sufficient time for public consultation on the draft report.

Interested parties are invited to make submissions in print and electronic form on the draft report by **4:00 pm (WST) on Friday, 12 August 2011**.

Submissions should be marked to the attention of Sara Procter, Assistant Director and sent to:

Inquiry into State Underground Power Program Cost Benefit Study
Economic Regulation Authority
PO Box 8469
Perth Business Centre
PERTH WA 6849

Email address: publicsubmissions@erawa.com.au

Fax: (08) 9213 1999

Confidentiality

In general, all submissions from interested parties will be treated as being in the public domain and placed on the Authority's website. Where an interested party wishes to make a submission in confidence, it should clearly indicate the parts of the submission for which confidentiality is claimed, and specify in reasonable detail the basis for the claim. Any claim of confidentiality will be considered in accordance with the provisions of the *Economic Regulation Authority Act 2003*.

The publication of a submission on the Authority's website shall not be taken as indicating that the Authority has knowledge either actual or constructive of the contents of a particular submission and, in particular, whether the submission in whole or part contains information of a confidential nature and no duty of confidence will arise for the Authority.

For further information contact:

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CHAIRMAN

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