



**EnergyAustralia**

LIGHT THE WAY

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EnergyAustralia Pty Ltd  
ABN 99 086 014 968

Level 19  
Two Melbourne Quarter  
697 Collins Street  
Docklands Victoria 3008

Phone +61 3 9060 0000  
Facsimile +61 3 9060 0006

enq@energyaustralia.com.au  
energyaustralia.com.au

Australian Energy Regulator

By email: [AERringfencing@aer.gov.au](mailto:AERringfencing@aer.gov.au)

### **AER proposed changes to ring-fencing guideline (electricity distribution)**

EnergyAustralia is one of Australia's largest energy companies with around 2.4 million electricity and gas accounts across eastern Australia. EnergyAustralia owns, contracts, and operates a diversified energy generation portfolio across Australia, including coal, gas, battery storage, demand response, wind and solar assets, with control of over 5,000MW of generation capacity.

EnergyAustralia welcomes the opportunity to make this submission to the AER's Consultation Paper.

The AER proposes to modify clauses 5.3.4(b) and (c) and remove the current restriction on the maximum term for which ring-fencing waivers can be granted. The restriction restricts waivers, other than for energy storage devices or stand-alone power systems (SAPS), to the current and upcoming regulatory control periods (i.e. 5 regulatory years, or a maximum of 5 years beyond the remaining term of a DNSP's current regulatory control period).

While this could be seen as a small modification, EnergyAustralia disagrees with this change and considers it will weaken the ringfencing protections at the expense of long-term competition and the long-term interest of end users.

The current restriction already provides for fairly long-term ring-fencing waivers of up to 10 years – a substantial amount of time. We agree with the AER's original reasons for this restriction including that alignment with the regulatory determination process "provides a sensible trigger to review an existing waiver". This is critical to retain where the AER will be assessing new and extremely complex DNSP initiatives that have broad ramifications in the near future. For example, we understand that CitiPower, Powercor and United Energy have submitted an application to the Australian Energy Regulator to approve a ringfencing waiver to allow the businesses to own, install and maintain EV infrastructure as a 'distribution service' added to their Regulatory Asset Base. These types of initiatives extend far beyond the current community battery and SAP initiatives in terms of potential impact to competition and the long-term interests of end users. We will reserve our specific comments on each initiative for individual consultation processes, but we believe in this context, it is important to retain the restriction to effectively have in place review points, at which the impact of the ring-fencing waiver can be revisited.

Further, we consider a ring-fencing waiver should only be granted on an exception basis generally, in recognition that it is waiving essential protections for competition and the long-term interests of end-users. We are concerned that open ended or extended waiver periods in excess of 10 years undermines this exception principle.

If you have any questions in relation to this submission, please contact me ( [REDACTED] or [REDACTED] ).

Regards,

Selena Liu  
Regulatory Affairs Lead