

24 February 2012



Mr C Pattas
General Manager
Network Operations and Development
Australian Energy Regulator
GPO Box 520
MELBOURNE VIC 3001

570 George Street
Sydney NSW 2000
All mail to GPO Box 4009
Sydney NSW 2001
T +61 2 131 525
F +61 2 9269 2830
www.ausgrid.com.au

Dear Mr Pattas,

RE: Electricity Distribution-Ring Fencing Guidelines Review

Ausgrid welcomes the opportunity to provide a submission on the AER's review of distribution ring fencing guidelines ("guidelines"). Ausgrid notes that there has been limited review of jurisdictional guidelines since they were first implemented and as such supports the AER's decision to examine their continuing relevancy and adequacy.

Ausgrid acknowledges that harmonising jurisdictional guidelines and seeking a more national approach are important objectives; however, we believe that this is not an appropriate starting point for reviewing guidelines. Rather, Ausgrid advocates that the AER commences its review by focusing on:

- defining ring fencing and articulating the general purpose of ring fencing;
- considering whether ring fencing is necessary given the current National Electricity Market (NEM) structure and participants; and
- considering what type of ring fencing requirements should be imposed to meet the identified need.

Existing guidelines are contextually based, meaning that jurisdictional guidelines have slightly different focuses and objectives to one another due to market structure and issues prevalent at their development. As such, Ausgrid believes that it would be beneficial if the review facilitated further discussion on these issues, as a means of assessing the relevancy and adequacy of existing arrangements.

If following consideration of these fundamental issues, the AER forms the view that there is a continuing need for some national ring fencing requirements, we recommend the AER undertake a gap analysis to determine whether existing mechanisms are in place to achieve the desired outcomes of ring fencing. To the extent that they are not, we believe it is necessary to conduct further analysis to determine whether the benefits of imposing ring fencing outweigh their costs. Ausgrid's submission will largely be aimed at facilitating discussion on these key issues. High level comments to the questions in the discussion paper are provided in an attachment to this submission.

Yours sincerely,

A handwritten signature in black ink, appearing to read "P. Birk", written in a cursive style.

Peter Birk
Executive General Manager System Planning and Regulation