

17 August 2018

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Via email: classificationguideline2018@aer.gov.au

Dear Chris

Draft Asset Exemption Guideline

AusNet Services is pleased to make this submission into the AER's consultation on the draft Restricted Asset Exemption Guideline for electricity distribution network service providers (DNSPs).

We support clause 3(2)(a) of the draft guideline providing for an *asset exemption* in the circumstances where expenditure by the DNSP would increase the efficiency or effectiveness of service delivery for rural, regional, or remote customers. This is an important consideration. There may be instances where, for remote customers, expenditure behind the customer meter, in support of electricity network services, is the only cost effective solution that will ensure the maintenance of a satisfactory electricity supply for the customer. When it can be justified that the likely negative impact on the development of competition in a market for *energy related services* is outweighed by the benefits to customers as per clause 3(1), we would expect an *asset exemption* should be made available.

However, the above provision is subject to clause 3(3), which states that the expenditure would only be permitted if the issues could not be addressed without DNSP investment in the assets the subject of the *asset exemption*. This is an overly strict barrier. If the DNSP considered a solution to improve the network service using *restricted assets*, the prohibition would require the DNSP to specify the service and the customer could engage a third party to provide the specified service. This may be prohibitively expensive for a rural or remote customer. Additionally, the DNSP's brand and reputation would be at stake if the service provided isn't as specified or otherwise the customer suffers damage or loss from the service.

As the draft guideline prevents the deployment of assets providing efficient services, even the development of competition in a market for *energy related services* is not impacted. The risks associated with the alternative approach would discourage DNSPs from offering to improve network services to rural, regional, or remote customers.

Clause 3(3) as drafted is inconsistent with the intent of the main provision (i.e. clause 3(2)(a)), which is to increase the efficiency or effectiveness of the service delivery to remote customers. We suggest that the qualification on the provision should be stated in terms of:

*(3)... there being no practical or cost effective alternatives to **DNSP** investment in the assets subject to the **asset exemption**.*

If you have any queries about any of the positions outlined in this submission, please do not hesitate to contact Justin Betlehem on 03 9695 6288.

Yours sincerely,

A handwritten signature in blue ink that reads "Kelvin Gebert". The signature is written in a cursive style with a blue ink color.

Kelvin Gebert
Manager Regulatory Frameworks