



DEUS Ref: S06/203

Mr Craig Chambers
General Manager
Business Development and Compliance
GridX Power Pty Ltd
76C Wilford Street
NEWTOWN NSW 2042

14 JUL 2006

Dear Mr Chambers

I refer to a proposal by GridX Power Pty Ltd to develop greenfield residential sites that are self-sufficient in terms of electricity. I am informed that GridX has applied to the Australian Energy Regulator for an exemption under the National Electricity Law from the requirement to register as a Network Service Provider.

The GridX proposal appears to be a practical solution to a constraint in the distribution of electricity in particular geographic locations. Innovative solutions such as this assist in reducing the challenges of electricity network planning and investment.

However, I understand that the GridX network would be configured so that excess electricity could be exported to, but not imported from, the national electricity distribution network. My main concern in this regard is that the existing constraints on the national grid might not always exist, and that the monopoly retail supply arrangements could mean a substantial number of electricity customers would be unable to benefit from the national policy objectives of full retail competition in the energy market.

National market objectives require that the economic welfare of consumers, over the long term, must be maximised. It would seem to be uncompetitive if GridX customers could not choose another retail electricity supplier, should one be available.

I would be interested in arranging meeting between representatives of this Department and GridX to discuss the possibility that agreements between GridX and its customers allow choice of retail electricity supply if and when constraints on the national electricity distribution network no longer affect GridX development sites. Should you agree to discuss this matter further, please contact Ms Dinah Traurig, Manager, Competition Strategy on 02 8281 7316.

Thank you for considering my concerns about this issue.

Yours sincerely

A handwritten signature in dark ink, appearing to be 'D. Traurig', written in a cursive style.

**Dinah Traurig
for Mark Duffy
A/Director-General**

cc. Mr Sebastian Roberts, General Manager Networks Regulation South, Australian Energy Regulator