



Mark Feather
General Manager, Strategic Policy and Energy Systems Innovation
Australian Energy Regulator
GPO Box 3131
Canberra ACT 2601

By email: AERringfencing@aer.gov.au

9 June 2023

Dear Mr Feather,

Options to address gaps in transmission ring-fencing framework

ENGIE Australia & New Zealand (ENGIE) appreciates the opportunity to respond to the Australian Energy Regulator (“the AER”) in response to the Consultation Paper on Options to address gaps in transmission ring-fencing framework (“the Paper”).

The ENGIE Group is a global energy operator in the businesses of electricity, natural gas and energy services. In Australia, ENGIE has interests in generation, renewable energy development, and energy services. ENGIE also owns Simply Energy which provides electricity and gas to retail customers across Victoria, South Australia, New South Wales, Queensland, and Western Australia.

Option 2 corrects an anomaly in the existing framework

The purpose of the ring-fencing framework is to ensure competitively neutral access to the monopoly networks regulated by the AER. It logically follows that the ring-fencing boundary should be between contestable services and non-contestable services rather than between prescribed services and unregulated services as is presently the case. Accordingly, ENGIE considers that Option 2 as set out in the paper is the most appropriate approach as it corrects this anomaly. It appears that the Australian Energy Market Commission takes a similar view based on its recent Transmission planning and investment review, as cited in the Paper¹.

ENGIE further notes that while there are existing clauses in the connections framework in Chapter 5 of the National Electricity Rules (NER) that are intended to curb a transmission network’s (TNSP’s) ability to misuse its monopoly power, these clauses are not monitored or enforced by the AER on an ongoing basis as there is no obligation on TNSPs to report against their compliance with these provisions (as explained on p25 of the Paper). This is also an anomaly - either these clauses are important protections in which case

¹ AEMC, Transmission planning and investment review – Contestability, Directions paper, November 2022

stakeholders need to have confidence that TNSPs are complying with them, or they are superfluous and should not be in the NER. ENGIE considers that the former is the case and Option 2 will also address this anomaly, because bringing this activity inside the ring-fencing envelope will empower the AER to collect relevant information from the TNSPs.

Given that the proposed Option 2 is simply correcting anomalies in the framework, it should not be regarded as a material increase in TNSPs' compliance burden, and the implementation of this change should not be predicated on the AER receiving specific evidence of harm to date.

Should you have any queries in relation to this submission please do not hesitate to contact me on, telephone, [REDACTED].

Yours sincerely,

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Jamie Lowe

Head of Regulation,
Compliance, and Sustainability