

27 September 2012

Mr Chris Pattas
General Manager
Australian Energy Regulator
GPO Box 520
Melbourne VIC 3001



Dear Mr Pattas

Electricity Distribution Ring-Fencing Guidelines Review Position Paper

Energex welcomes the opportunity to comment on the AER's Electricity Distribution Ring Fencing Guidelines Review Position Paper (Position Paper).

Energex considers that a national review of ring-fencing obligations would be an efficient approach to assessing the current ring-fencing frameworks operating across the National Electricity Market. However, it is important that any national guideline which results from the national review is only implemented in jurisdictions where the benefits of any new or amended obligations are greater than the associated compliance costs. This would be in accordance with an efficient market approach.

The Position Paper indicates a preferred position of developing a national ring-fencing guideline to apply to all Distribution Network Service Providers (DNSPs) because:

- The differing content and application of the jurisdictional guidelines makes it difficult for the AER to develop a consistent approach for monitoring compliance;
- The lack of review of most jurisdictional guidelines since their inception suggests they may no longer be relevant; and
- Current jurisdictional arrangements may not be appropriate for emerging contestable markets.

It is not clear that these considerations have been comprehensively analysed and investigated. Difficulties for AER compliance monitoring may be completely offset through the costs for all distribution businesses to amend their ring-fencing procedures and internal compliance monitoring framework to meet new national requirements. The other considerations only seem to allude to potential shortcomings, without any significant evidence of their existence and materiality.

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If a national guideline is developed, Energex agrees with the AER's view that, given the variety of circumstances that may need to be addressed, both in terms of the nature of the market concerns and the jurisdiction involved, it would be an efficient approach for the guidelines to be flexible. Energex would support the inclusion of waiver and variation provisions to allow for targeted application of specific obligations.

Energex further agrees with the AER that any changes to existing distribution ring-fencing guidelines are likely to require the implementation of new arrangements by DNSPs and provision should be made for appropriate transitional arrangements.

Should you wish to discuss these matters please contact Alex McPherson, acting Network Regulation Manager on 07 3664 4104.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Louise Dwyer', written over a horizontal line.

Louise Dwyer
Group Manager Regulatory Affairs Group