



Ref.: JD/TF/AC

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Mr Chris Pattas
General Manager
Australian Energy Regulator
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Dear Mr Pattas

Submission on the AER's Electricity Distribution Ring-Fencing Guidelines Review: Position Paper

Ergon Energy Corporation Limited (Ergon Energy) welcomes the opportunity to provide a submission to the Australian Energy Regulator (AER) on its *Electricity Distribution Ring-Fencing Guidelines Review: Position Paper* (the Positions Paper). This submission, which is available for publication is made by Ergon Energy in its capacity as Distribution Network Service Provider (DNSP) in Queensland.

Ergon Energy supports the AER's preferred position to develop a national Ring-Fencing Guideline to apply to all electricity distributors in the National Electricity Market (NEM) and agree that the current jurisdictional Ring-Fencing arrangements are not adequate for either the current environment or into the future. Ergon Energy agrees with the AER's position that there are 3 main issues with the current jurisdictional guidelines and consequently they should be re-drafted and a national Guideline be developed.

The main concern for Ergon Energy has been how the Queensland Electricity Distribution Ring-Fencing Guidelines are not flexible enough to support the emerging developments in the NEM and the changing needs of distributors and customers. The underlying principle of Ring-Fencing Guidelines and their associated application is supported by Ergon Energy. However, Ergon Energy has concerns about the prescriptive and antiquarian nature of the existing Ring-Fencing Guidelines not being appropriate in today's current environment especially with respect to emerging technologies and customer and societal pressures to engage in demand management services. The added administrative layer to demonstrate compliance has resulted in Ergon Energy submitting Ring-Fencing waiver applications to ensure compliance with the Ring-Fencing Guidelines when there has been a corporate and social responsibility to pursue economically efficient distribution services.

In developing the National Ring-Fencing Guidelines, Ergon Energy requests that the AER provide greater clarity on the effect of any existing waivers granted by Jurisdictional Regulators. Noting the operation of clause 11.14.5 of the *National Electricity Rules*, Ergon Energy would seek to ensure that all waivers granted by Jurisdictional Regulators continue in force.

Ergon Energy notes that the AER has not provided any advance indication of the detail of the national Ring-Fencing Guidelines, but rather a preliminary view of the obligations to be imposed. In the absence of such information and given that there is no apparent urgency, Ergon Energy suggests that a longer consultation period be afforded to stakeholders and recommends that consultation for the national Draft Ring-Fencing Guidelines commence early next year. Ergon Energy looks forward to providing continued assistance to the AER in the development of National Ring-Fencing Guidelines. Should you require additional information or wish to discuss any aspect of this submission, please do not hesitate to contact either myself on 07 4092 9813 or Trudy Fraser on 07 3228 2144.

Yours sincerely



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Enc.: Ergon Energy's submission.