



Our reference: JH/KH

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Mr Sebastian Roberts
General Manager
Network Regulations South
Australian Energy Regulator
GPO Box 520
Melbourne VIC 3001

Email: AERInquiry@aer.gov.au

Dear Mr Roberts

**ISSUES PAPER ON GRIDX POWER PTY LTD
APPLICATION FOR NETWORK SERVICE PROVIDER EXEMPTION**

Ergon Energy welcomes the opportunity to comment on the proposal by GridX Pty Ltd (GridX) to seek an exemption from the Australian Energy Regulator (AER) to register as a Network Service Provider (NSP).

Ergon Energy recognises the innovative nature of the GridX development and the potential benefits available if successfully implemented. From the information presented (and available from the GridX website), we understand the structure to be similar to a set of embedded generators with the network connecting these generators and residential dwellings being owned and operated by a registered NSP. Under this approach GridX will seek registration as both a generator and retailer to market its electricity product to the residents of the estates. However, it is not clear why the proposed development necessitates GridX being the NSP and henceforth, why an exemption from registration is being requested.

Beyond this, given the possibility of similar developments in the future it is worthwhile to consider how such proposals fit within the current NEM framework or whether modification of that framework is required.

Ergon Energy notes that information provided under Section 1 of the GridX application suggests the proposal is not consistent with the Principles of the *Network Service Provider (NSP) Exemption Guidelines* (1998) developed by NECA (and inherited by the AER). Furthermore, a 'class of network owner or operator' of the type suggested is not readily identifiable as listed for consideration under the *NECA General Exemptions Guidelines* (2000). In any case, considerations for such an exemption should be made on a project by project basis. As such, Ergon Energy's view is that under the current guidelines an exemption should not be granted.



In commenting, Ergon Energy recognises that it is very unlikely that the NECA guidelines were drafted with such an innovative proposal to reference. Ergon Energy questions whether the status of this application for exemption can be accurately measured against existing guidelines, or rather, if it serves as a prompt to consider a review of guidelines to take into account more recent industry developments.

Finally, Ergon Energy considers that granting a waiver under the GridX proposal would go against promoting the advancement of the over-arching market objective as set down in the National Electricity Law (NEL). In particular, the outcome may place undue restrictions on retail competition and consumer choice, whilst not conclusively providing superior surety of the ongoing reliability and security of supply to consumers within the "islanded network".

In conclusion, it is Ergon Energy's view that the AER should not grant GridX's proposal an exemption from the obligation to register as an NSP. The proposal does not inherently meet current guidelines for exemption, nor would it be consistent with market objectives.

Yours sincerely



for **Tony Pfeiffer**
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