



AUSTRALIAN
ENERGY
REGULATOR

ISSUES PAPER

**GRIDX POWER PTY LTD
APPLICATION FOR NETWORK SERVICE
PROVIDER EXEMPTION**

9 June 2006



© Commonwealth of Australia 2006

This work is copyright. Apart from any use permitted by the *Copyright Act 1968*, no part may be reproduced without permission of the Australian Competition and Consumer Commission. Requests and inquiries concerning reproduction and rights should be addressed to the Director Publishing, Australian Competition and Consumer Commission, PO Box 1199, Dickson ACT 2602.

Contents

Glossary	iv
Executive Summary	iv
1 Introduction	1
1.1 GridX Power’s application.....	3
1.2 The Regulatory Framework	3
1.3 The practical impact of granting an exemption.....	5
2 Assessing GridX Power’s application for exemption	8
2.1 The assessment framework	8
3 Invitation for public comment	10
3.1 Process of this review	10
Appendix A: NSP Exemption Guidelines	12
Appendix B: General Exemption Guidelines	16

Glossary

ACCC	Australian Competition and Consumer Commission
AEMC	Australian Energy Markets Commission
AER	Australian Energy Regulator
DUOS	Distribution Use Of System
GridX	GridX Power Pty Ltd
IPART	Independent Pricing and Regulatory Tribunal
NEC	National Electricity Code
NECA	National Electricity Code Administrator
NEL	National Electricity Law
NEM	National Electricity Market
NEMMCO	National Electricity Market Monitoring Company
NER	National Electricity Rules
NSP	Network Service Provider
RoLR	Retailer of Last Resort
TUOS	Transmission Use Of System

Executive Summary

The Australian Energy Regulator (AER) has recently received an application from GridX Power Pty Ltd (GridX), seeking an exemption from the requirement to register as a Network Service Provider (NSP) under the National Electricity Law (NEL) and National Electricity Rules (NER).

GridX proposes an innovative method of delivering electricity to residential consumers. GridX plans to construct electricity networks on new estates delivering electricity via gas-fired micro-generators buried within those estates. These generators would be fed by domestic gas reticulation connections. GridX proposes to export excess energy generated within each embedded network to the National Electricity Market (NEM) but proposes that, as its generation system is self-contained, its network be configured so that the import of electricity from the NEM into a GridX network is not possible. GridX is in the process of applying for a retail licence in NSW.

Under the NER and published exemption guidelines, the AER has the discretion to exempt GridX from the requirement to register as an NSP under the NEL. However, the granting of an exemption must not be inconsistent with legislative objectives. In particular the AER must take into account the long-term interests of consumers of electricity with respect to price, quality, reliability and security of supply of electricity, in making a determination on GridX's application.

The practical result of granting GridX an exemption from the registration requirement would be to relieve GridX from the obligation to provide existing retailers with access to its network(s), and thus confer market power on GridX in providing retail electricity services (or determining who provides those services) to consumers located within GridX's network(s). However, consumers may also have countervailing power in choosing to rent or purchase property located within a GridX network. Additionally, the charges for the retail supply of electricity are likely to form a comparatively small proportion of the overall rental cost or purchase price.

Another consideration is whether there are, or will be sufficient retail service and price safeguards in effect to adequately protect consumers from the misuse of this market power. Additionally, there may be significant efficiency benefits in delivering bundled services (hot water, gas, electricity and cooling) under a GridX model.

This issues paper provides an overview of the issues that the AER considers are relevant to the consideration of GridX's application, and seeks feedback on whether (and if so, on what conditions) GridX should be granted an exemption from the requirement to register and provide existing retailers with access to its network(s).

1 Introduction

In April 2006, the Australian Energy Regulator (AER) received an application from GridX Power Pty Ltd (GridX), seeking confirmation that its proposed network design did not fall within the definition of a network required to be registered under the National Electricity Law (NEL), or, alternatively, seeking an exemption from the requirement to register as a Network Service Provider (NSP) under the NEL and National Electricity Rules (NER). GridX revised its application in May 2006 to limit the application to a request for exemption from the registration requirements of the NER. GridX did not provide the AER with detailed reasons as to why the exemption should be granted.

GridX proposes an innovative method of delivering electricity to residential consumers. GridX plans to construct electricity networks on new estates delivering electricity via gas-fired micro-generators buried within those estates. These generators would be fed by domestic gas reticulation connections. GridX proposes to export excess energy generated within each embedded network to the National Electricity Market (NEM) but proposes that, as its generation system is self-contained within relevant estates, its network be configured so that the import of electricity from the NEM into a GridX network is not possible.

The GridX network model is described in detail below and in GridX's revised application to the AER, which can be found at www.aer.gov.au. The application does not request an exemption in respect of a particular proposed network. Rather, the application seeks an in-principle indication from the AER that a network of the type described in GridX's revised application would be granted an exemption from registration requirements.

GridX is in the process of applying for a retail licence in NSW, and has indicated that it is planning development activities in other NEM states. Accordingly, the issues raised in this paper are likely to be relevant across all NEM jurisdictions.

This issues paper is limited to consideration of the electrical network configuration proposed by GridX in its current application – alternative network configurations may give rise to different considerations to those discussed and may result in a different outcome when separately evaluated.

One effect of granting GridX exemption from the requirement to register as an NSP would be to confer market power on GridX in providing (or choosing who provides) retail electricity services to consumers within its networks. GridX is in the process of applying for a retail licence in NSW.

The AER is concerned with access issues that may prevent consumers within GridX networks purchasing electricity in a competitive market, and the potential price impacts of a reduction in competition. The AER does not have (and is unlikely in the immediate future to be assigned) a direct role in regulating the retail provision of electricity in state jurisdictions but recognizes that State-based legislation and/or regulations may provide

the appropriate safeguards for retail consumers in states where GridX networks might be established.

There may also be significant efficiency benefits in delivering bundled services (hot water, gas, electricity and cooling) under a GridX model. Additionally, some consumers may find the GridX model of service delivery attractive.

Before making a determination on the application, the AER considers that it is appropriate to seek views on whether the granting of an NSP registration exemption to GridX advances or does not advance the market objective set down in the NEL. The AER seeks comment on whether the granting of an exemption would be in the long-term interests of consumers of electricity with respect to price and reliability of supply of electricity.

This public consultation process is designed to assist the AER in determining whether it is appropriate to grant GridX Power an exemption from the requirement to register as an NSP under the NEL, and if an exemption were to be granted, the terms and conditions of that exemption.

1.1 GridX Power's application

GridX Power Pty Ltd is a new venture seeking to develop innovative energy solutions for new residential housing estates as an alternative to conventional distribution arrangements. GridX proposes to install distributed generation systems ('GridX-type networks') to service 'greenfields' housing and apartment estates, initially in NSW. GridX has also commenced discussions about the construction of GridX-type networks in Queensland, Victoria and Western Australia. GridX proposes to generate electricity from small, natural gas-fired generating units connected to the domestic gas reticulation system and embedded within the electricity network situated within such estates. GridX proposes that electricity and waste heat produced by the generating units would supply electricity and hot water to the residences on these estates. GridX's system also includes optional provision for cooling via reticulated chilled water.

GridX proposes that its networks would be connected to the national electricity grid at a single connection point for each estate / cluster of dwellings. GridX proposes to design its network so that it is not possible to import electricity from the national electricity grid into estates covered their networks, although excess electricity generated within a GridX-type network would be exported to the national electricity grid. The AER notes that there does not appear to be any technical reason for configuring the network to only allow the export, but not the importation, of energy.

GridX is currently running an embedded generation showcase trial in Sydney. This showcase consists of a contract relating to 16 homes with the Mirvac property development group. GridX owns the embedded generation system and provides energy to Integral Energy, a registered NSP.

GridX has discussed its proposal with the Independent Pricing and Regulatory Tribunal of New South Wales (IPART). GridX is also in the process of obtaining a retail licence through IPART. GridX has indicated that current provisions in NSW require GridX to include consumer protection provisions including billing and payment terms and various minimum guaranteed customer service standards within its product offering, and require GridX to become a member of the NSW Energy and Water Ombudsman scheme. GridX has not detailed similar requirements that may be in force in other states.

GridX has also indicated that it would like to be the sole distributor and retailer of gas for each estate / cluster of dwellings that it services. If GridX were to own the gas distribution network servicing each estate / cluster of dwellings, under the provisions in the *National Third Part Access Code for Natural Gas Pipeline Systems 1997*, any person may seek coverage of the pipeline by applying to the National Competition Council. Where a decision to cover the pipeline is made by the relevant Minister, this would lead to the relevant jurisdictional regulator putting in place an access arrangement, which specifies reference tariffs for the pipeline. These matters fall outside the scope of this paper and are not further considered herein.

1.2 The Regulatory Framework

Under section 11(2) of the NEL, a person must not own, control or operate a distribution system that forms part of the interconnected transmission and distribution system unless the person is registered or has gained exemption from the registration requirement. These provisions are mirrored in clause 2.5.1(a) of the NER.

Under clause 2.5.1(d) of the NER, the AER may, according to guidelines issued from time to time by the AER, exempt any person who is required to register from the registration requirement, or from compliance with the technical standards set down in chapter 5 of the NER. This exemption can be on such conditions as the AER considers appropriate. However, granting an exemption must not be inconsistent with market objectives.

Under the regulatory framework in place since July 2005, the AER has been provided with an over-arching ‘market objective’ against which all decisions, including those relating to determining NSP exemptions, must be assessed. The ‘NEM Objective’ is stated in section 7 of the NEL and reads as follows:

‘The national electricity market objective is to promote efficient investment in, and efficient use of, electricity services for the long term interests of consumers of electricity with respect to price, quality, reliability and security of supply of electricity and the reliability, safety and security of the national electricity system.’

NECA, as the body previously responsible for the assessment of NSP exemption applications under a framework broadly similar to the current framework, issued a set of exemption guidelines (the ‘NECA Exemption Guidelines’) outlining the factors it considered relevant to the exercise of its discretion in this regard. The AER, as the body responsible for assessing exemption applications from July 2005, inherited these guidelines, under transitional provisions specified in the NER.

The assessment principles extracted from the NECA Exemption Guidelines, relevant to the consideration of whether an exemption from registration should be granted appear in Appendix A.

Exemptions can be general (section 9 of the Exemption Guidelines) or specific (section 10 of the Exemption Guidelines) in nature. In August 2000 NECA released a guideline relating to the circumstances in which it considered that the granting of general exemptions would be appropriate. This general exemption guideline appears in Appendix B and details both the types of network that would be considered for an exemption (eg. Caravan Parks, Flats/Apartments, Office Buildings, etc.) and the eligibility criteria relating to each of those network types.

One option available to the AER were an exemption to be granted to GridX is to treat a GridX network as a variant of one or more of these types of networks and add it to this list.

Alternatively, specific exemptions have been granted where local circumstances are unique: exemptions have been granted for mines, certain greenhouse gas projects and local networks that have some, but not all, of the characteristics of general exemption network classes. In these situations, consideration of the principles stated in section 6 of the guidelines, together with a consideration of the over-arching NEM Objective is relevant.

1.3 The practical impact of granting an exemption

Granting an exemption from the requirement to register as an NSP in effect allows GridX to restrict access to its network by other distributors or retailers, and means that GridX is not required to comply with the technical standards for the distribution of electricity set down in chapter 5 of the NER.

GridX has indicated that it will be required to maintain technical standards under its connection agreement with the local distributor and as part of its obligations as a market generator under the Rules. Accordingly, GridX has not requested an exemption from compliance with the technical connection rules set down in chapter 5 of the NER. This issue is not considered further in this paper.

Access

If the AER grants GridX an exemption from the registration requirements of the NEL, GridX will not be required to provide other market participants with network services and access to its network. As a result, GridX would be in a position to exercise significant market power in relation to the retailing of electricity to consumers connected to its network.

However, retailing arrangements are regulated by licensing arrangements in participating NEM jurisdictions. For example, in NSW, retailers must be registered with IPART, and are subject to regulated distribution use of system (DUOS) and retail pricing arrangements. NSW legislation and regulations also contain provisions to cap retail prices.⁵

As previously mentioned, GridX has indicated that it is applying for a retailer licence from the NSW Minister for Energy⁶ on advice from IPART, and the AER considers that it is clear that, if granted an exemption from registration by the AER, GridX intends to both distribute and retail electricity to consumers within any network that it may construct.

⁵ For example, see *Electricity Supply (General) Regulations 2001 (NSW)* reg 70(2)(b) which states that the maximum amount that may be charged for the supply of electricity during a particular period is the amount that [a] standard retail supplier in whose supply district the premises are located would have charged under a standard form customer supply contract for that supply during that period.

⁶ See *Electricity Supply Act 1995 (NSW)* s. 33.

IPART also imposes retail license conditions relating to consumer protection, billing, payment terms and guaranteed customer service standards as part of its licensing arrangements.⁷ IPART also requires retailers to become a member of the NSW Energy and Water Ombudsman scheme and to submit to the jurisdiction of the ombudsman in disputes with consumers.⁸

Currently, the AER has no jurisdiction in relation to setting retail prices. However, the AER has the power to make assessments about access and competition. Specifically, the AER, in choosing to grant an NSP exemption, must make an assessment about whether consumers are likely to face higher charges for electricity if the exemption is granted, all other things (including state licensing arrangements) being equal.

GridX suggests that in addition to the regulation of its retail activities by IPART, the property developer at relevant estates will require GridX to cap the electricity charges to householders at the regulated tariff rate which would otherwise be payable in that distribution area. GridX notes that IPART may also require GridX to conform with a retail price-cap arrangement as part of its licensing conditions. The situation that would eventuate for consumers connected to a GridX network if retail prices were to be de-regulated in NSW or in other jurisdictions where GridX networks may also be constructed in the future, is less clear.

Electricity consumers are likely to assume that the jurisdictional arrangements for retail competition apply when purchasing a new or established home. In particular, these arrangements in NSW allow a consumer access to their retailer of choice. Under the GridX proposal, this choice is not expected to be available. The AER considers it unlikely that a consumer will anticipate the need to ascertain the arrangements for electricity retailing in GridX type estates and may therefore be at risk of making an uninformed decision about purchasing or leasing a property located within a GridX-type network. For example, consumers may have committed to a purchase, particularly as the second or subsequent purchaser of a property, before discovering the nature of the electricity retail arrangements for the estate. The existence of a price-cap or other mechanisms (such as notice requirements in contracts for sale of real estate or within residential leases) may act to moderate the seriousness of this issue.

Additionally, under section 630(2) of the *Electricity Supply Act 1995 (NSW)*, it is also a condition of retail suppliers' licences that they comply with the market operation rules and Retailer of Last Resort (RoLR) requirements. It is unclear how these arrangements would operate where consumers do not have access to an alternative supplier of electricity.

⁷ *Electricity Supply (General) Regulations 2001 (NSW)* reg 19

⁸ See *Electricity Supply Act 1995 (NSW)* s. 96C

2 Assessing GridX Power’s application for exemption

This chapter examines considerations relevant to the question of whether or not the AER should grant GridX an exemption from the NSP registration requirement under the NEL.

2.1 The assessment framework

Under section 8 of the Guidelines, applications from intending NSPs which meet some but not all of the exemption principles will be assessed and, if the application is consistent with the intent of clause 2.5 of the Code, the AER may grant full or partial exemption from registration or chapter 5 technical requirements.

The assessment of GridX’s application against the NECA Exemption Guidelines is likely to provide some guidance as to whether, and on what terms, exemption from registration might be granted. However, since the introduction of the revised NEL, the most relevant consideration is whether the granting of an exemption (and any conditions on the granting of an exemption) furthers the NEM objective.

GridX argues there are significant advantages in it receiving an exemption from the requirement to register as an NSP, facilitating the development of export-only embedded networks, including

- **Improvement in quality and reliability of service delivery:** GridX suggests that a GridX-type network may improve the quality, reliability and security of supply of electricity to the consumers connected to such a network: the network will have multiple generators and operate in an ‘islanded’ fashion. Outages on the main grid will not interrupt supply for these consumers.
- **Improvement of reliability, safety and security of the national electricity grid:** GridX suggests that the operation of a GridX-type network may operate to provide embedded generation into the network at particularly constrained points within the larger distribution network. To the extent that demand in the existing distribution network is rising in the network faster than new distribution networks can be built (or existing networks can be augmented) to service that demand, the operation of a GridX-type network may relieve some of these constraints.
- **Consumer protection measures are available:** even though consumers will not have access to retail competition and competitive service offerings, they can or may be protected from price-gouging behaviour, most notably by jurisdictional retail licensing arrangements.
- **Efficiency and innovation:** Bundling the provision of electricity, gas and hot water may be an economically efficient way of delivering services. Additionally network charges for the operation of a GridX-type network, may be lower than distribution use of system (DUOS) or transmission use of system (TUOS) charges passed on by the incumbent local distributor.

However, there may be significant disadvantages in granting GridX an exemption from the requirement to register as an NSP, including:

- **Restriction of access to retail competition for consumers within a GridX-type network:** This issue is explored in section 1.3. Limiting access to the NEM without significant, demonstrated benefits for affected consumers may be considered to be contrary to the NEM objective.
- **GridX's proposal is inconsistent with clause 6.2 of the Guidelines (exemption if network operation is only incidental):** The AER notes that GridX is clearly intending to operate in the electricity supply business. Allied with the consideration of the access issue (above) the AER considers that the exemption guidelines were not developed to facilitate the growth of innovative GridX-type networks. Further consultation and policy development is required in this area, in which the AEMC and jurisdictional regulators also need to be involved.
- **A GridX-type private network may compromise system reliability and access to electricity supply for consumers connected to that network.** For example, if gas supplies were to be interrupted, electricity supply would also be interrupted. The likelihood of interruption could be reduced at relatively small cost through requiring GridX to operate a network capable of importing electricity.

Other issues relevant to the consideration of whether GridX should be allowed to operate an export-only private network include:

- **Consumer choice:** There may be some consumers who prefer to have their electricity (and / or other services) delivered by a GridX-type network. Additionally, some consumers may prefer the price / reliability package offered by GridX. However, there is an issue about whether consumers can make a voluntary choice to take electricity or other services from a GridX type network. It is unclear how jurisdictional requirements to notify intending purchasers or lessees that a property is within a network that is not part of the NEM would operate in practice, or even whether there are such requirements in place.

3 Invitation for public comment

The AER invites submissions from interested parties on whether it is appropriate to grant GridX an exemption from the requirement to register as an NSP under the NEL, and, if so, the nature of the conditions that the AER may consider appropriate to the granting of an exemption.

In particular, the AER seeks to understand the broader policy and technological context of issues related to the implementation of GridX-type networks, before making a determination on GridX's application.

The AER seeks comment on the following questions relevant to the granting of an exemption:

- Is it desirable to determine GridX's application at this time? If not, how should the resolution of GridX's application for exemption proceed?
- Is the granting of an exemption for GridX likely to advance the NEM Objective particularly, is it in the long-term interests of consumers with respect to price, quality, reliability and system security?
- Is it appropriate to grant GridX a *general* exemption from the requirement to register as an NSP, or is it appropriate to grant GridX an exemption on a project-by project basis only?
- What (if any) are the nature of the conditions on exemption that the AER should apply in respect to retail pricing?
- Do current and future retail price-cap arrangements in place in NSW provide retail consumers with sufficient protection from potential price-gouging behaviour?
- If the AER granted GridX an exemption from registration, what additional measures should be implemented to ensure that electricity consumers (or potential consumers) receive timely advice as to the electricity retail arrangements peculiar to any estate on which GridX-type networks might operate?
- Are there any further issues relevant to the consideration of GridX's application that have not been discussed in this Issues Paper?

3.1 Process of this review

The AER is seeking submissions from interested stakeholders on the issues raised in this paper, including whether GridX should be granted an exemption from the requirement to register as a Network Service Provider, and any terms of such an exemption.

The closing date for submissions is **Friday 14 July 2006**. Following the receipt of comments, the AER will further consider GridX's application for exemption from the requirement to register as a Network Service Provider.

Submissions can be sent electronically to [AERInquiry@aer.gov.au](mailto:AERInquiry@ aer.gov.au). Alternatively, written submissions or submissions on disk, in either Word 8.0 or PDF format can be sent to:

Mr Sebastian Roberts
General Manager
Networks Regulation South
Australian Energy Regulator
GPO Box 520
Melbourne VIC 3001

The AER prefers that all written submissions be publicly available to foster an informed, transparent and robust consultative process. Accordingly, submissions will be treated as public documents unless otherwise requested, and posted on the AER's website, www.aer.gov.au.

If you wish to include information in a submission which is of a confidential nature, it should be clearly marked as such and a claim for confidentiality for the material should also be submitted.

Material for which confidentiality is granted will not be publicly available, but may be taken into account by the AER in further considerations on the issues raised in this paper.

Appendix A: NSP Exemption Guidelines

Guidelines for exemption from the requirement to register as a network service provider (Issued July 1998)

Introduction

1. Section 9(1) of the National Electricity Law and clause 2.5 of the National Electricity Code require all network service providers (NSPs) to register with NEMMCO.
2. Clause 2.5 Registration of NSPs is designed to ensure that they are subject to the relevant provisions of the Code in relation to:
 - 2.1. **system security.** Chapter 4 of the Code prescribes facilities and actions required of NSPs to ensure system security is maintained. This is supported by parts of chapter 5;
 - 2.2. **network standards.** The standards for the network are defined in chapters 5 and 7. These standards ensure that end users and market participants can rely on the network to provide the appropriate quality of supply;
 - 2.3. **pricing.** The mechanisms for pricing of the network service are defined in chapter 6; and
 - 2.4. **dispute resolution.** The Code ensures that participants and intending participants have access to appropriate alternative dispute resolution processes, through chapter 8.
3. The National Electricity Code Administrator (NECA) may, in accordance with guidelines issued by it from time to time, exempt any person or class of persons otherwise required to register with the National Electricity Market Management Company (NEMMCO) as a network service provider (NSP) from:
 - 3.1. the requirement to register as an NSP; or
 - 3.2. the operation of chapter 5 of the National Electricity Code and the requirement under chapter 5 to provide an access undertaking to the ACCC subject to such conditions as NECA deems appropriate where in NECA's opinion an exemption is not inconsistent with the market objectives or the Code objectives.
4. These guidelines are issued to assist parties seeking exemptions under clause 2.5 of the Code. NECA may vary these guidelines from time to time, subject to clause 2.5(e) of the Code.
5. The granting of any exemption under clause 2.5 of the Code does not reduce any obligation placed on an NSP under any other statutory or other provisions.

Principles

6. The following principles will be applied to assess each application:
 - 6.1. the relevant network should be wholly contained within premises owned or controlled by the applicant;
 - 6.2. the provision of the network (and any supply of electricity to other parties) must be incidental to the business of the applicant;
 - 6.3. standards or other regulatory controls should be in place in respect of the relevant network;
 - 6.4. the granting of the exemption should not unduly limit access of parties to the national electricity market contrary to the market objectives (clause 1.3 of the National Electricity Code);
 - 6.5. the proposed charging regimes(s) governing the NSP's network should balance the needs of the network provider and the end user;
 - 6.6. an appropriate mechanism must exist for the setting of energy charges if users of the network cannot access retailers. Jurisdictional licence conditions or regulations govern the on-selling of energy;
 - 6.7. end users should have appropriate recourse in the event of disputes, for example to the dispute resolution arrangements contained in chapter 8 of the Code; and
 - 6.8. the applicant should have obtained, or have applied for exemption from relevant jurisdictional requirements (eg under licensing or other regulations).
7. Where an applicant satisfies NECA that principles 6.1 to 6.4 have been met, exemption from the requirements of chapter 5 will generally be granted. If all principles are met to the satisfaction of NECA, full exemption will generally be allowed.
8. Applications from NSPs which meet some but not all of the principles will be assessed and, if the application is consistent with the intent of clause 2.5 of the Code, NECA may grant full or partial exemption.

General exemptions

9. Consistent with these principles, NECA has granted a series of general exemptions from the requirement to register as an NSP.

Applications for specific exemptions

10. NSPs which fall within one of the general exemptions issued by NECA are not required formally to seek specific exemption. NSPs that do not fall within those general exemptions but that wish to seek a specific exemption from the requirements of the Code must apply to NECA in writing. Applicants may submit their application in parallel to other applications where similar exemptions are being sought (e.g. from the requirement to have supply or other licenses from jurisdictional regulators).
11. Applicants seeking exemption must state:
 - 11.1 whether they are seeking (or have received) exemptions from other codes or regulations governing the ownership or operation of networks, including details of those exemptions or applications for exemptions;
 - 11.2 whether they are seeking exemption from the requirement to register as an NSP or just from the application of chapter 5 (and the requirement to provide an access undertaking);
 - 11.3 the precise network to be subject to the exemption, including circuit diagrams if necessary;
 - 11.4 what discussions have taken place between the applicant and the NSP to which the relevant network will be connected;
 - 11.5 what arrangements are proposed for setting network charges for parties using the network; and
 - 11.6 what arrangements are proposed for energy charges (e.g. fixed percentage of total costs or direct access to retailers by tenants)
12. NECA may request additional information from applicants prior to processing an application for exemption. NECA will normally advise applicants of any additional information required for the processing of their application within 10 working days of the application being received.
13. Decisions by NECA under clause 2.5 of the National Electricity Code are reviewable by the National Electricity Tribunal.

Conditions

14. NECA may, pursuant to clause 2.5 of the Code, place conditions on any exemptions granted.

Revocation of exemptions

15. NECA may revoke an exemption, or vary the conditions imposed, if it forms a reasonable opinion that the NSP no longer meets some or all of principles required for exemption.

Enquiries

Enquiries about exemptions from the need to register as an NSP should be addressed to Paul Dunn, [Director, AER, Level 42, 360 Elizabeth Street, Melbourne, 3000].

**National Electricity Code Administrator
July 1998**

Appendix B: General Exemption Guidelines

General exemptions from the requirement to register as a network service provider (issued August 2000)

NECA has granted the following general exemptions from the requirement to register as a network service provider. Organisations that fall within one of these general exemptions do not need to make an application for a specific exemption.

Class of network owner or operator	Description	Conditions
Caravan parks	Mobile home parks, caravan parks, Areas where space is rented for a mobile or semimobile dwelling, where the provision of power is part of the contract of rental.	A mechanism establishing the maximum price for on-selling of energy must be in place.
Office buildings	Large complexes where floors or individual offices are rented or leased on a short or long term basis, and electricity is supplied as part of the building infrastructure and either separately metered or charged on a basis agreed at the time of the lease.	A mechanism establishing the maximum price for on-selling of energy must be in place.
Flats / apartments /	Groups of individual dwellings sharing common walls where electricity is reticulated as part of the building infrastructure.	Where the network is supplied at no cost or a nominal fee and either: 1. access to retailers is available to occupiers; or 2. electricity is made available on terms negotiated as part of the purchase or hiring arrangement and a mechanism exists for setting the maximum price.

Units	Groups of individual dwellings on a common or shared title.	Where the network is supplied at no cost or a nominal fee and either: 1. access to retailers is available to occupiers; or 2. electricity is made available on terms negotiated as part of the purchase or hiring arrangement and a mechanism exists for setting the maximum price.
Industrial parks	Large areas where land and buildings are leased.	Where: 1. the network is supplied at no cost or a nominal fee and access to retailers is available to tenants; and 2. standards for the network are agreed with the local network service provider
Shopping centres	Groups of shops and offices owned by a single entity or sharing a title where electricity is reticulated as part of the building infrastructure	Where the network is supplied at no cost or a nominal fee and either: 1. access to retailers is available to tenants; or 2. electricity is made available on terms negotiated as part of the hiring arrangement and a mechanism exists for setting the maximum price.

Enquiries about exemptions from the need to register as an NSP should be addressed to Paul Dunn, [Director, AER, Level 42, 360 Elizabeth Street, Melbourne, 3000]..

**National Electricity Code Administrator
August 2000**