

5 July 2006

Mr Paul Dunn
Director
Australian Energy Regulator
Level 42
360 Elizabeth Street
Melbourne 3001

Dear Paul

GridX Power Pty Ltd: Application for Network Service Provide Exemption

Thank you for the opportunity to comment on the Issues Paper of 9 June 2006 prepared by the Australian Energy Regulator (AER) on the application from GridX Power Pty Ltd (GridX).

SP AusNet understands that on 22 May 2006, the AER received a revised application from GridX requesting that the AER grant GridX an exemption from the requirement to register as a Network Service Provider (NSP) under the National Electricity Law (NEL).

SP AusNet understands that GridX proposes to operate inset networks that supply electricity to domestic consumers via small gas-fired generators within those networks, where those networks would export electricity to (but not import electricity from) the National Electricity Market (NEM).

The AER has prepared an Issues Paper that 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 in-principle exemption from the requirement to register and provide existing retailers with access to its network(s).

SP AusNet advocates that the AER does not grant GridX an exemption from the requirement to register as an NSP until such time as the AER is satisfied that the following matters have been appropriately completed;

- Safety operating procedures should be submitted prior any approval for an embedded network including;
 - Dial before you dig - records management
 - Fault and emergency facilities
 - 24 hour response procedures
 - Availability of suitably qualified field personnel
 - Operating protocols for interfacing with the relevant distribution business, particularly in emergency situations
 - Co-ordination procedures with other emergency services.
 - Protection, design and construction standards, both for the embedded distribution system and the connection to the host distribution system

GridX should be aware that, should they create a development in Victoria, connection charges will be levied by SP AusNet's electricity or gas distribution business to recover the efficient cost of connecting GridX's embedded distribution network to either SP AusNet's electricity or gas distribution network.

Please contact Patrick Murphy (96956623) if any further information is required.

Yours sincerely

Patrick Murphy
Manager Economic Regulation