Colonial First State
Global Asset Management

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General Manager
Network Operations and Development Branch
Australian Energy Regulator

RE: AER Approach to Electricity Network Service Provider Exemptions

Dear Sir/Madam,

I am writing in response to above paper as issued by the AER in June.

Colonial First State Global Asset Management (CFSGAM) currently manages a high quality portfolio of 39 shopping centres and retail precincts across Australia, including Chadstone, Chatswood Chase Sydney and Queens Plaza, with more than 5,000 tenants and 230 million visitors a year.

Energy on-selling is an incidental service that that we provide our tenants, CFSGAM engages specialist third party embedded network operators / consultants to help manage these operations. This strategy ensures CFSGAM provides a low cost, high quality of service in relation to the electricity on-selling. As such, CFSGAM attracts a sign-up rate of more than 97% within its centres.

The prime point of concern we have with the proposed exemption guidelines pertain to the pricing guidelines related to network charges (linked to Questions 19, 20 and 21 of the paper). The AER suggests that external network charges incurred by an exempt network operator (ENO) can be recovered through *apportioning* the cost across customers within that network. CFSGAM believes this methodology is not only inappropriate but will almost be impossible to administer.

Network tariffs within a distribution area are based on several factors relating to; the type of customer, their annual consumption and their peak demand. Every NMI in the NEM has a network tariff assigned by the local network service provider (LNSP) based on these criteria. Large energy users in the NEM typically have demand based network tariffs whilst small energy users typically have tariffs based on usage only. Similarly, network tariffs for large energy users in some LNSP zones have a Shoulder Time of Use period whilst smaller energy users within the same LNSP area do not.

In order for an ENO to correctly apportion external network charges, it must be able to record or obtain the same type of information from every meter within its embedded network. This is not always possible as it does not always control metering within its embedded networks. For example, Tier 2 Child metering is owned and controlled by the LNSP. If this meter is not programmed to record exactly the same TOU and demand tariff information as at the parent meter, the correct apportionment of external network charges becomes very difficult if not impossible.

A much more practical and uncomplicated approach would be the application of network tariffs based on the same criteria as used by the LNSP. Indeed if we consider a Tier 2 Child within an embedded network that has a market NMI. This NMI will have a network tariff code assigned by the LNSP which is registered in MSATS. It thus makes logical sense that an ENO would recover any applicable network charges levied to the customer based on this registered network tariff. Whilst Tier 1 (off market) customers do not have registered network codes, exempt network service providers can apply exactly the same criteria as an LNSP does in determining what network charges it will levy.

This methodology provides the same consumer protection related to pricing that the AER is proposing within its exempt selling guideline. That is, where the maximum price charged to a customer cannot

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exceed the standing offer for the local area retailer. The same pricing rules should apply in relation to exempt network service providers. Indeed given the AER regulates network tariffs levied by the LNSPs, the AER is indirectly controlling network tariffs applied by exempt network service providers by mandating this methodology.

Kind Regards,

Chris Greenall
Assistant National Operations Manager
Colonial First State Global Asset Management