



6 May 2011

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Dear Mr Anderson

**AER DRAFT DECISION ON ERGON ENERGY'S APPLICATION FOR A RING-FENCING WAIVER FROM RING-FENCING GUIDELINES**

Ergon Energy Corporation Limited (Ergon Energy) welcomes the positive decision by the Australian Energy Regulator (AER) in relation to Ergon Energy's application for a waiver from section 1(b) of the Ring-Fencing Guidelines. Ergon Energy also appreciates the opportunity to make comment on the AER's Draft Decision. The AER's support for Distribution Network Service Providers in installing photovoltaic (PV) systems insofar as they relate to corporate responsibilities is welcomed by Ergon Energy.

Ergon Energy notes that the AER considers that the waiver should not be open ended and therefore proposes to cap the total electricity generation capacity at 300 kilowatts of all PV installations owned and operated by Ergon Energy. Further, the rationale for this proposal is that "there could be risks in providing such an open-ended approval.....there is no guarantee that such systems would operate along the same lines as those subject to this waiver application".

While, Ergon Energy understands the AER's rationale for a cap, it is questioned whether a total capacity cap is the most appropriate method of imposing a cap. Instead, Ergon Energy proposes that the cap be related to Gross Floor Area, for example 10kW per 100m<sup>2</sup> of Gross Floor Area. This would enable Ergon Energy to develop the PV installation program into a solid and standardised fit out and construction feature in all proposed property projects in the future.

Ergon Energy also considers that the waiver should be more explicit and relate specifically to Ergon Energy's application. That is, the waiver (and any cap) should be expressly applicable to PVs on Ergon Energy owned office buildings and depots, rather than PVs generally. This together with any cap would prevent the waiver from extending to systems that do not operate along the same lines as those included in Ergon Energy's waiver application.

Ergon Energy notes that if it intended to install PVs on Ergon Energy owned office buildings and depots once any cap was reached, it would need to apply for a separate ring-fencing waiver. Ergon Energy also notes that if Ergon Energy were to extend the PV installation program to other Ergon Energy owned physical assets a waiver application would be sought from the AER.

Should you require further information, please contact Mrs Jenny Doyle, Manager Regulatory Affairs – Policy and Regulation on (07) 4092 9813.

Yours sincerely



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