

Level 17, Casselden
2 Lonsdale Street
Melbourne Vic 3000
GPO Box 520
Melbourne Vic 3001
tel: (03) 9290 1800
www.aer.gov.au

Our Ref: 63302
Contact Officer: Moston Neck
Contact Phone: 07 3835 4669

2 April 2019

Dear Stakeholders,

Re: Review of the Transmission Ring-fencing Guideline

The AER is seeking views from stakeholders on the timing of this review of the Electricity Transmission Ring-fencing Guideline.

Energy Networks Australia (ENA) has requested that we delay the timing of this review given the many other regulatory changes and reviews currently underway, which impact on the regulation of transmission networks. This includes the Australian Energy Market Commission's review of the Coordination of Generation and Transmission Investment,¹ and the Energy Security Board's work on actioning the Integrated System Plan.² A copy of the ENA's request is attached at the end of this letter.

We had anticipated completing the review of transmission ring-fencing, with a view to publishing an updated Guideline, by December 2019. If we decide to delay the timing of this review, we expect that we would review the Guideline during 2020.

Ring-fencing promotes the development of contestable markets and supports efficient regulation of monopoly networks. Ring-fencing can require that a network business implement legal, accounting, operational, and information access separation of parts of the business that deliver regulated and unregulated services. Ring-fencing can support the development of new and emerging competitive markets for electricity services.

The current transmission ring-fencing guideline was first published in 2002 and was updated in 2005. This was part of a range of reforms designed to unbundle competitive electricity retail and generation sectors from regulated networks. Since then, the nature of contestable electricity services has changed. New areas of contestability have emerged with the development of technologies (such as batteries and distributed energy resources), and the reduced role of networks in providing certain services (such as transmission connections). In 2016 we developed a national Electricity Distribution Ring-fencing Guideline, and

¹ AEMC, Final report - Coordination of generation and transmission investment, 21 December 2018, <https://www.aemc.gov.au/markets-reviews-advice/reporting-on-drivers-of-change-that-impact-transmi>.
² See: <http://www.coagenergycouncil.gov.au/publications/energy-security-board-converting-isp-action>.

commenced monitoring distributor ring-fencing compliance in 2018. The National Electricity Rules requires that we consider alignment between the ring-fencing guidelines for electricity distribution and transmission businesses.³

The AER is interested in understanding the impact of delaying this review and a later commencement of a revised transmission ring-fencing guideline.

Interested stakeholders are invited to provide their views to ringfencing@aer.gov.au by Thursday 18 April 2019.

Yours sincerely



Angela Bourke

A/g General Manager, Consumers and Markets

³ NER, cl.6A.21.2(c)(2).

7 March 2019



Ms Paula Conboy
Chairman
Australian Energy Regulator
GPO Box 520
Melbourne Vic 3001

Dear Ms Conboy

Transmission Ring Fencing Guideline Review

Further to our recent conversation, Energy Networks Australia, on behalf of transmission members, requests the AER considers delaying its Transmission Ring Fencing Guideline (Guideline) review.

We consider that there is benefit in delaying the commencement of this review until at least 2020 as:

1. a broad range of high priority reforms impacting on the transmission framework is already under way in 2019. The ESB, with market bodies, is developing the actionable ISP framework in the NEL and NER, and the AEMC through the COGATI 2019 review is covering pricing and access, and both reviews could have significant implications for transmission roles and responsibilities. We believe that a focus on these priority reforms will have more demonstrable benefit for market participants, direct and end use customers than prioritising the Guideline review. A review of the Guideline would logically follow and be informed by the outcomes of these higher priority reforms which will occupy the focus of stakeholders for the balance of 2019 and beyond.
2. the transmission planning and connection framework rule change introduced an expanded and comprehensive framework for contestable transmission services in mid-2018. Noting there has been limited experience in the operation of these new arrangements to date, there would be further benefit in a delay in the review to make a more informed assessment of the effectiveness of this new framework, and any implications either for the Guideline or Rules.
3. we are not aware of any strong pressure or concerns over the current ring fencing arrangements from either electricity customers or supply side participants that warrant a review at this time, noting also that the review does not feature as one of the AER's priorities on its current published work program.
4. the current Guideline (which has been in place since 2002) continues to operate effectively and we are aware of no material issues or evidence that suggests that a review is urgently needed.

We would be happy to meet with you or relevant AER staff to further discuss this issue. If you are able to provide a response before the end of March that would be appreciated, as Energy Networks Australia and the TNSPs would prefer to continue to focus on the high priority reforms outlined in point 1 above.

Should the AER have any queries on this issue please contact Verity Watson on 03 9103 0407 or vwatson@energynetworks.com.au

Yours sincerely,

A handwritten signature in black ink, appearing to read "Andrew Dillon".

Andrew Dillon

Chief Executive Officer

Energy Networks Australia www.energynetworks.com.au
Unit 5, Level 12, 385 Bourke Street Melbourne VIC 3000
P: +61 3 9103 0400 E: info@energynetworks.com.au
Energy Networks Association T/A Energy Networks Australia
ABN: 75 106 735 406