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18 December 2017

Mr Alistair Fletcher
2019-2024 AER Project – RIN Stream Lead, Asset Management
Essential Energy
By email: alistair.fletcher@essentialenergy.com.au; natalie.lindsay@essentialenergy.com.au

Dear Mr Fletcher

Notice of ring-fencing waiver: Essential Energy - Ring-fencing waiver applications - July 2017 and September 2017

The AER issues this notice pursuant to clauses 5.3.1 and 5.7(b) of the AER Electricity Distribution Ring-fencing Guideline, October 2017 (Guideline).

The AER grants a waiver of Essential Energy's obligation to comply with clauses 3.1, 4.2.1, 4.2.2, 4.2.3, 4.2.4 and 4.4.1(a) of the Guideline, from 18 December 2017 until 1 July 2019, in relation to the following services:

- provision of nightvision services (including: provision of LED streetlighting; provision of nightvision services)
- emergency recoverable works
- rental and hire services (this covers activities related to 'shared asset facilitation' of distributor assets)
- rectifications works to maintain network safety
- network safety services
- network related training courses
- minor and legacy metering services (this includes distributor arranged outage for the purposes of replacing meter)
- sale of inventory (this covers 'sale of stock to ASPs')
- test access permit fee

- environmental impact assessment training
- customer requested planned interruption services
- customer initiated asset relocations.

The AER also grants a waiver of Essential Energy's obligation to comply with clauses 3.1, 4.2.1, 4.2.2, 4.2.3, 4.2.4 and 4.4.1(a) of the Guideline from 18 December 2017 until 30 June 2024 to allow Essential Energy to continue to use its water licence in its maintenance cost sharing arrangement between Essential Energy and the Clarence Valley Council.

The AER also grants a waiver of Essential Energy's obligation to comply with clauses 3.1, 4.2.1, 4.2.2, 4.2.3, 4.2.4 and 4.4.1(a) of the Guideline from 18 December 2017 until 30 June 2024 to allow Essential Energy to continue to own and operate Essential Water, a water supply authority providing water, sewage, liquid trade waste and other miscellaneous services in the far west of NSW.

The AER also grants a waiver of Essential Energy's obligation to comply with clauses 4.2.1, 4.2.2, 4.2.3, 4.2.4 and 4.4.1(a) of the Guideline from 18 December 2017 until 30 June 2019 to allow Essential Energy to continue to provide type 1-4 metering services until such time as they can completely exit the market.

The AER also grants a waiver of Essential Energy's obligation to comply with clauses 3.1, 4.2.1, 4.2.2, 4.2.3, 4.2.4 and 4.4.1(a) of the Guideline, from 18 December 2017 until 30 June 2019, which will allow Essential Energy to continue providing services which they have described as 'provider of last resort services' as if these services are classified ACS.

The services covered by this waiver include:

All services allowed for under the NSW ASP Scheme including:

- Level 1 customer connection services including both overhead and underground, and including related network extensions or augmentations;
- Level 2 services such as disconnect and reconnect, work on underground service conductors, and work on overhead service conductors; and
- Level 3 design services for both overhead and underground network electricity assets;

the services covered by this waiver also include:

- Customer initiated asset relocations; and
- Inspection, maintenance and testing of customer assets including high voltage assets (this is for standard distribution and sub-transmission type assets and excludes emerging technology assets such as PV, batteries, etc.).

The waiver is limited to the circumstances and conduct set out in the waiver application and subsequent Essential Energy submissions. It does not extend to any other conduct or circumstances.

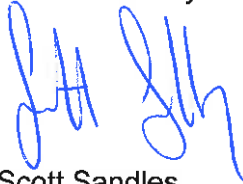
The AER also grants a waiver of Essential Energy's obligation to comply with clauses 4.2.1, 4.2.2, 4.2.3 and 4.2.4 of the Guideline 18 December 2017 until 30 June 2024 to allow Essential Energy to continue to provide Accredited Service Provider Initial & Refresher Training, Work Near Overhead Powerlines (WNP) Initial & Refresher Training and Safe Work Practices Initial & Refresher Training to Accredited Service Providers on a very limited basis. This is on the condition that Essential Energy will only provide these contestable services in Albury, Ballina, Bathurst, Bingara, Blayney, Braidwood, Broadwater, Broken Hill,

Bulahdelah, Buronga, Cobar, Cobram, Coffs Harbour, Condon, Corowa, Deniliquin, Dubbo, Eden, Ewingsdale, Goulburn, Goondiwindi, Grafton, Griffith, Harwood, Hay, Holbrook, Inglewood, Inverell, Kempsey, Leeton, Lismore, Marulan, Mittagong, Moree, Moruya, Mulwala, Murwillumbah, Nambucca Heads, Narrabri, Orange, Parkes, Queanbeyan, Tamworth, Taree, Temora, Tweed Heads, Uki, Wagga, Walcha, Wialda, Young, Wodonga, Echuca, Bendigo and Swan Hill.

The AER expects Essential Energy to comply with the Guideline in all other circumstances, and in all other respects.

Essential Energy is required by clause 5.7 of the Guideline to include this waiver on its waiver register, which must be publicly available on Essential Energy's website.

Yours sincerely



Scott Sandles
A / General Manager
Networks

Sent by email on: 18.12.2017

