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Mr Chris Pattas
General Manager, Networks
Australian Energy Regulator
GPO Box 520
Melbourne VIC 3001

15 June 2017

Dear Mr Pattas,

RE: AER Draft Decision on SAPN Application for Waiver from Electricity Distribution Ring-Fencing Guidelines

AGL Energy (AGL) welcomes the opportunity to submit a response to the Australian Energy Regulator (AER) on its Draft Decision with respect to South Australia Power Network's (SAPN) application for a Waiver from the Electricity Ring-Fencing Guidelines (the Draft Decision).

We understand that the South Australian Government has requested SAPN to set up and manage a temporary generation project until its new permanent power generation station is built and operational. To meet this request, SAPN has sought a waiver from its obligations under the Ring-Fencing Guidelines.

AGL acknowledges the AER's proposal, per the Draft Decision, to grant a time-limited waiver until 1 June 2020 on the condition that the temporary generating capacity is:

- fully funded by the South Australian Government, and that all revenues from the project are returned to the South Australian Government;
- used only for the purpose of avoiding load shedding for National Energy Market operational purposes when there is no alternative generation available; and
- operated only at the direction of the Australian Energy Market Operator or the South Australian Energy Minister.

AGL notes this request is a limited case - on the basis that a low-cost generating solution is required to address existing energy security issues in the South Australian market, until such time as the Government's gas fired generation asset is operational and that the project will not be funded through the regulated network asset base.

However, it is important to note that AGL does not support the proposal that the waiver should remove the obligations on branding and cross promotion. AGL considers that the requirements outlined in clause 4.2.3 of the Ring-Fencing Guidelines are not unreasonable or onerous, and would still enable SAPN to meet the direction set by the South Australian Government. AGL encourages the AER to reconsider its position on this point.



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AGL also wishes to take this opportunity to reiterate to the AER that network business activities which seek to operate in competitive markets must comply with the ring fencing guidelines in order to preserve competitive neutrality principles which are ultimately to the benefit of all market participants.

Should you have any questions or comments, please contact me on (03) 8633 6967 or scamroux@agl.com.au.

Your sincerely,

A handwritten signature in black ink, appearing to read 'Simon Camroux'.

Simon Camroux
Manager Wholesale Markets Regulation