



Mr Moston Neck
Director
Australian Energy Regulator
360 Elizabeth Street
Melbourne VIC 3000

29 August 2017

Dear Moston

Timeline for achieving full ring fencing compliance without waivers

Thank you for providing CitiPower and Powercor (**us** and **we**) with the opportunity to provide more detail on the durations of our proposed waivers.

Implementing ring fencing throughout the business is a complicated task. We have a dedicated project team consisting of members from the Regulation and Strategy groups, together with support from Information Technology, Legal and Learning and Development groups. This project has been assigned the highest internal rating of importance and has been well resourced.

We nevertheless identified some activities that will not create consumer harm, that will take longer to implement and so we have applied for three temporary waivers. For each waiver we have sought an expiry date of 31 December 2020, being the end of the current Victorian regulatory control period. We have outlined the timeline for achieving ring fencing compliance without waivers in the appendix below.

Please don't hesitate to contact Frans Jungerth if you have any further questions on (03) 9683 2022 or fjungerth@powercor.com.au.

Yours Sincerely

A handwritten signature in blue ink that reads 'Brent Cleeve'.

Brent Cleeve
Head of Regulation

REGISTERED OFFICE

40 Market Street, Melbourne VIC Australia Telephone: (03) 9683 4444 Facsimile: (03) 9683 4499
Address all Correspondence to: **Locked Bag 14090, Melbourne VIC 8001 Australia**
CitiPower Pty ABN 76 064 651 056 General Enquiries: **1300 301 101** www.citipower.com.au
Powercor Australia Ltd ABN 89 064 651 109 General Enquiries: **13 22 06** www.powercor.com.au

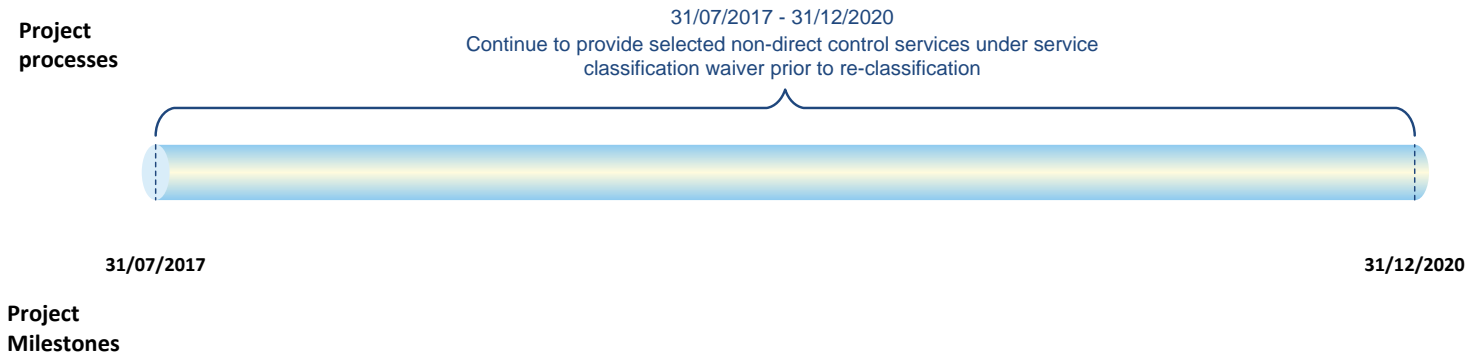


Appendix - Timeline to achieve ring fencing compliance without waivers

Negotiated and unclassified services waiver

We have sought a waiver on selected negotiated and unclassified services. Our timeline for achieving compliance without the need for a waiver is shown below.

Timeline – Service classification waiver



Our reasons for requesting a waiver for the duration of this regulatory period are:

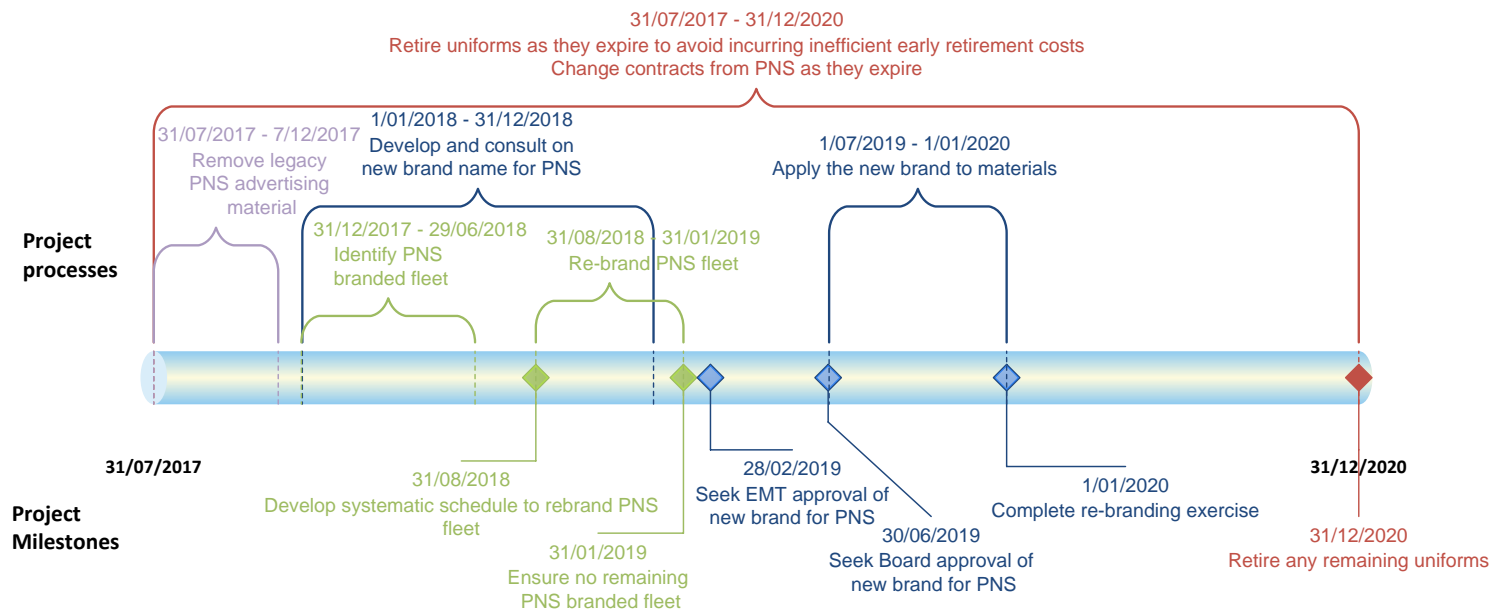
- for each of the services subject to this waiver there is an ongoing need for us to play a role in the services' provision. In the next regulatory control period, we expect the services will be re-classified as direct control;¹ and
- the waiver duration is the minimum period of time necessary to ensure we can continue to provide the services until they can be re-classified.

¹ As outlined in our waiver application and letter dated 7 June 2017 to the AER.

Powercor Network Services branding waiver

Our interpretation of the guideline is it requires Powercor and Powercor Network Services (**PNS**) to have distinct branding—meaning we will re-brand PNS. Additionally, there are some legacy uniforms, fleet, advertising material and contracts branded PNS that will have to be removed. Our timeline for achieving compliance without the need for a waiver is shown below.

Timeline – Powercor Network Services waiver



Our reasons for requesting a waiver for the duration of this regulatory period are:

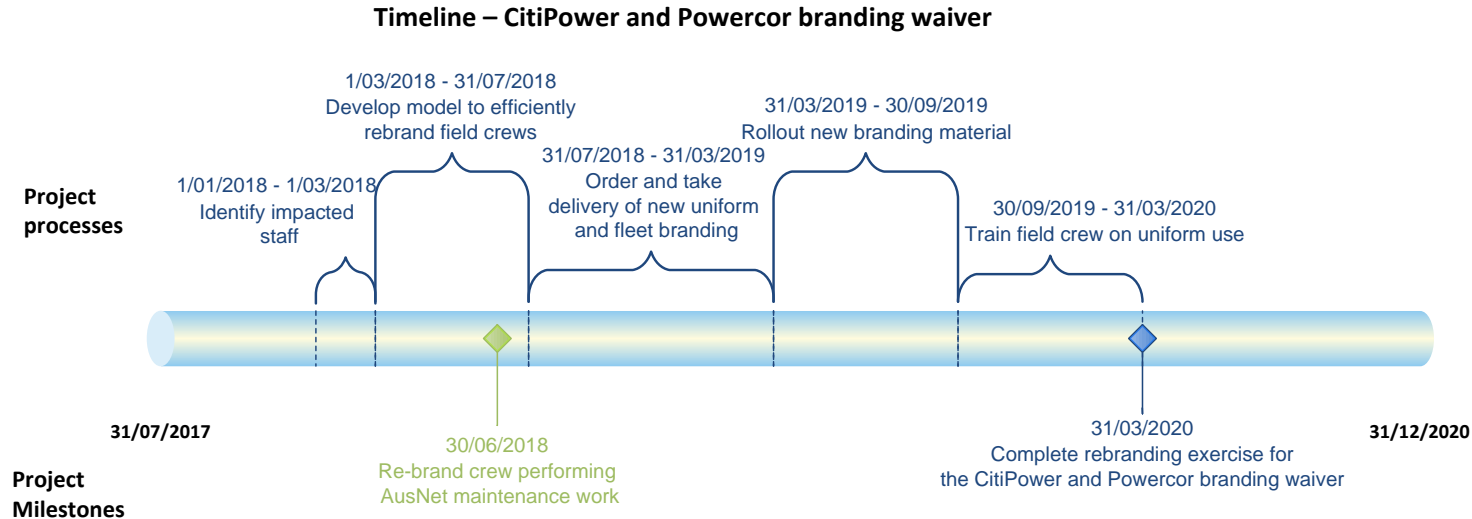
- *uniforms*—without a waiver, considerable costs will be incurred from prematurely retiring usable Personal Protective Equipment (**PPE**) uniforms that carry the PNS brand. As a general guide, PPE uniforms cost approximately \$1,000 per person. The waiver will allow these uniforms to expire before being replaced;

- *contracts*—over the waiver duration, contracts will be changed from the PNS brand as they expire or are due for renewal;
- *PNS brand name*—rebranding PNS will require engaging a consultant / designer to develop the brand, undertake consultation on the brand, seek approval from our Executive Management Team (**EMT**) and Board, and apply the brand to materials;
- *fleet*—we will need to identify PNS branded fleet, order new branding and apply the new branding to the existing fleet. To do this efficiently requires systematic planning given:
 - the significant expanse of our network and hence locations of our fleet;
 - our fleet operate 24 hours a day and are not always situated within the depot; and
 - the existence of Local Service Agents (contractors) that may have PNS branding on their fleet used to service us.
- *advertising material*—this will be removed when it is identified and not later than six months, as we have previously committed to.² We have now identified legacy PNS branded business cards still in use in addition to the legacy stand up posters used for events outlined in our previous letter to the AER.

² CitiPower and Powercor, letter to the AER dated 7 July 2017

CitiPower and Powercor branding waiver

We are seeking a waiver for the CitiPower and Powercor brand being used by field crews when they undertake unregulated work as a subcontractor to be on when the contract is with large commercial or industrial customers. Our timeline for achieving compliance without the need for a waiver is shown below.



To comply with ring fencing without the waiver we will need to:

- rebrand the small team of field crew dedicated to contestable transmission work under a maintenance agreement with AusNet. This will be completed in the first half of 2018. This will require designing the way in which the brand will appear on different material (e.g. uniforms and fleet) and ordering and rolling out the re-branded material. This affects only a small number of field crew and is a confined work-stream within our ring fencing compliance program;
- re-branding crews not dedicated to contestable work is more complex, as any member of the field crew may potentially work on contestable work and require a re-branded PPE uniform. We need to explore business models to effectively re-brand these crews such as:
 - modifying fleet and uniforms so that branding can be interchanged (such as with the use of magnets and coveralls over existing uniforms);

- having a dedicated crews to performs contestable work; or
 - develop a process to alternate uniforms depending on the type of work being performed.
- we will need to order new branding once the efficient model is determined. Typically we keep a stock of PPE uniforms on hand and place indent orders with the manufacturer as stores deplete. In this scenario, however, we will need to place a sizeable order to re-brand many field crews, which could take eight months to be filled; and
- we will need to roll-out the new uniforms and train field crew on the use of the different brands—field crews are spread throughout the network and so training can take several months.