

18 May 2016



Mr Chris Pattas
General Manager
Network Investment and Pricing
Australian Energy Regulator
GPO Box 520
Melbourne Vic 3001

Dear Mr Pattas,

ENERGEX APPLICATION FOR A RING-FENCING WAIVER UNDER THE ELECTRICITY DISTRIBUTION RING-FENCING GUIDELINES

Energex Limited (Energex) is writing to the Australian Energy Regulator (AER) to seek a waiver from section 1(b) of the Final Determination Electricity Distribution Ring-Fencing Guidelines, September 2000 (the ring-fencing guidelines) issued by the Queensland Competition Authority.

Clause 11.14.5 of the National Electricity Rules provides for jurisdictional ring-fencing guidelines to continue to apply, following regulatory responsibility transferring to the AER, until such time as the new guidelines are developed.

Section 1(b) of the Ring-Fencing Guidelines states "a Distribution Network Service Provider (DNSP) that provides prescribed distribution services in Queensland must not carry on a related business within that legal entity". A related business is defined as "the business of producing, purchasing or selling electricity".

Energex's waiver application relates to a mobile educational exhibit incorporating solar PV installation and a Battery Energy Storage System (BESS).

Background and benefits

Energex plans to undertake a number of BESS trials including a mobile, educational exhibit BESS trial. This trial will seek to engage and educate customers about demand management, energy consumption and technology changes and their combined impact on the network and cost to serve. To assist with this challenge, Energex proposes to build a mobile educational exhibit incorporating solar PV, BESS, a Home Energy Management System (HEMS) and a number of typical home appliances (eg dishwasher, TV, clothes washer/dryer).

The purpose of the educational exhibit will be to engage and educate both existing and future generations of consumers and innovators. Energex will leverage off the current media platforms and public interest in new technologies such as BESS to commence the educational program through the development of a physical "house of the future". Energex can also use this opportunity to provide customers with information about upcoming tariff

Enquiries

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reform and how they might benefit by using technology to reduce their peak demand.

Energex proposes to develop a single mobile exhibit which will be used for educational purposes at locations such as the Brisbane Exhibition, Brisbane Home Show and other high profile public demonstration events. When not being used for educational purposes, the exhibit will reside at Energex's Eagle Farm Distribution Centre.

Specific details of the configuration are set out in Attachments 1 and 2.

Funding and operating model

The exhibit will be funded, owned and operated by Energex Ltd. Energex intends to fund the educational exhibit through the Demand Management Innovation Allowance (DMIA) as proposed in Energex's 2015-20 regulatory proposal.

Waiver Requirements

Section 22 of the Ring-Fencing Guidelines allows distribution network service providers (DNSPs) to request the AER issue a notice under section 21. Under section 21 the AER may waive any obligations provided that the DNSP can demonstrate that the administrative cost to the DNSP and its associates of complying with the obligation outweighs the benefit or any likely benefit to the public.

Energex has considered the existing ring-fencing guidelines in developing this project. While the exhibit involves the generation of electricity from the solar PV panels and/or the withdrawal of electricity from the BESS, Energex does not consider this constitutes carrying on a related business. This is because Energex is not in the business of producing electricity as there is no intention to make a profit. Energex is only producing electricity for the purposes of powering the appliances as part of the exhibit.

In addition, Energex notes the recent release (April 2016) of the preliminary position paper on ring-fencing guidelines which will provide consistency across jurisdictions and accommodate structural and technological changes in the electricity industry. Energex therefore understands that the AER may consider this installation not only in the context of the current guidelines but also in terms of the development of the national ring-fencing guideline. Energex considers that the operation of the mobile educational BESS exhibit will not have any market impact, noting that the installation may be potentially utilised at Eagle Farm DC on a semi-permanent basis.

Grounds for Seeking a Waiver

Energex considers the administrative costs of complying with section 1(b) outweigh the benefit or likely benefit to the public. An estimate of the establishment and ongoing costs associated with ring-fencing the project are provided in Attachment 3 as Commercial in Confidence. These costs would be required to be passed on to customers as part of Energex's standard control services.

Energex does not consider that the establishment and operation of this solar PV/BESS educational display:

- has any impact on the national electricity market given the negligible generation/export capacity of the solar PV installation;
- constitutes entering the generation or retail markets; and
- interferes in any way with Energex's legislative requirements.

Based on the above rationale, Energex considers that the criteria for issuing of a waiver are met. If you have any queries in relation to the information provided, please do not hesitate to contact Leigh Henderson, Network Regulation Manager on (07) 3664 4118.

Yours sincerely



Jennifer Hocking
A/Executive General Manager,
Strategy, Regulation & Governance

Attachment 1 Educational Exhibit Solar PV/BESS Installation: Summary
Attachment 2 Educational Exhibit Solar PV/BESS Installation: Configuration
Attachment 3 Educational Exhibit Solar PV/BESS Installation: Estimated costs of ring-fencing

Attachment 1 - Educational Exhibit Solar PV/BESS Installation: Summary

Site Address	120 Schneider Road, Eagle Farm, QLD 4009 (semi-permanent location)
Site Specifics	Energex's Eagle Farm Distribution Centre is located within an embedded network owned by TradeCoast. The educational BESS will be a mobile demonstration of a "house of the future". The educational BESS will be used for educational purposes at mobile locations. When not in use it will be semi-permanently based at the Eagle Farm Distribution Centre.
Estimated Cost	Approximately \$250,000
Estimated Benefit	The educational exhibit will be used to educate customers about demand management, energy consumption and technology changes and their combined impact on the network and cost to serve.
Investment	3 years
Installation	Solar PV system – 3kW SolarEdge Inverter – 6kW Tesla battery – 3.3kW / 6.4kWh
Change in Load Profile at site	Negligible change in load profile at site
Estimated Export to TradeCoast's network	Negligible export to TradeCoast network
Use of assets for BESS trial	The assets will be used to display new technologies and prompt conversations with customers about their usage and options at the Brisbane Exhibition and other high profile events. The asset may also be utilised temporarily at the Eagle Farm Distribution Centre whilst located there.
Funding	The educational BESS trial will be funded through Energex's DMIA funding.
Configuration	Please refer to single line diagram (Attachment 2)

Attachment 2 – Educational Exhibit Solar PV/BESS Installation: Configuration

