



Part of Energy Queensland

1 December 2021

Mr Mark Feather
General Manager
Australian Energy Regulator
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Melbourne, Victoria, 3001
AERringfencing@ aer.gov.au

Dear Mr Feather

Ring-fencing Guideline Electricity Distribution – Version 3

Ergon Energy Corporation Limited (Ergon Energy) and Energex Limited (Energex) appreciate the opportunity to provide a submission to the Australian Energy Regulator (AER) on its Final Electricity Ring-fencing Guideline (the Guideline) and supporting Explanatory Statement Version 3.

We note the AER seeks further comments on the process and criteria identified in the Explanatory Statement as it relates to the proposed streamlined waiver process proposed for a DNSP owned battery model.

The AER's proposed criteria is intended to mitigate the risk of cross-subsidisation under two scenarios, one where the cross subsidisation does not arise, and, one where it is satisfactorily addressed. In relation to the scenario where the DNSP intends to allocate part of the battery to the regulated asset base, Ergon Energy and Energex note the AER's suggested evidence examples and considers those are reasonable. However, both Ergon Energy and Energex have concerns in relation to some of the conditions proposed under section 3.4.3.1 of the Explanatory Statement. In particular, we are concerned that the AER intends for the externally appointed auditor under the annual ring-fencing compliance process to verify what portion of the battery was used for distribution services and other services, against the way in which DNSPs use other batteries and if there is a difference, an explanation of any differences between the two. In our view, batteries are an emergent market with a degree of uncertainty surrounding how it will develop, the models adopted by businesses, its usage, and the trial nature of many battery projects. As such, having a comparison is remiss at this early stage and may be difficult to compare across sites and DNSPs. In addition, its unknown if there are any implications if the AER is not satisfied with findings presented by the auditors and whether the AER could amend or revoke an existing waiver. We recommend the AER provide greater certainty on these issues prior to releasing the final process and criteria relevant for the streamlined waiver process for batteries.

Should the AER require additional information or wish to discuss any aspect of this submission, please contact either myself, on 0409 239 883 or Alena Christmas on 0429 394 855.

Yours sincerely

Sarah Williamson

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