

15 August 2017



Part of the Energy Queensland Group

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

Dear Mr Pattas

Submission in response to the Draft Amended Ring-fencing Guideline

Energex Limited (Energex) and Ergon Energy Limited (Ergon Energy) welcome the opportunity to provide a submission in response to the Australian Energy Regulator's (AER's) Draft Amended Ring-fencing Guideline (the Draft Amended Guideline).

Energex and Ergon Energy support the AER's proposed amendments in its Draft Amended Guideline, particularly:

- Clarifying the definition of *Related Electricity Service Provider (RESP)* to exclude the part of an affiliated *Distribution Network Service Provider (DNSP)* that provides *direct control services*. As affiliated *DNSPs*, this will allow the parts of Energex and Ergon Energy that provide *direct control services* to share staff and assets, which will deliver efficiencies and ultimately savings for electricity customers.
- Providing additional clarity that Energex and Ergon Energy can maintain existing branding on regulated assets that are simultaneously being shared to deliver *contestable electricity services*.
- Relaxing the requirement for legal and functional separation in circumstances where *DNSPs* provide emergency support to other *DNSPs*, such as in response to severe weather events. This will facilitate the ongoing sharing of staff and assets that are used by Energex and Ergon Energy to provide *direct control services* to provide support to other *DNSPs* in these emergency situations.

While these proposed amendments are welcomed, Energex and Ergon Energy consider that there are still aspects of the Draft Amended Guideline that will impose additional compliance costs unnecessarily.

Sharing of staff between DNSP and RESP to support emergency response

As noted above, in its Amended Draft Guideline, the AER has provided for *DNSPs* to share staff and assets to support other, non-affiliated *DNSPs* in an emergency response situation. Energex and Ergon Energy consider that this provision should be extended to enable *DNSPs* to also access staff and assets of its affiliated *RESP(s)* in emergency response situations. This would enable Energex and Ergon Energy to flex

its workforce and assets (such as fleet) in emergency response situations without incurring the costs of maintaining this larger workforce and assets on an ongoing basis. For example, Energex and Ergon Energy would be able to use Ergon Energy Queensland's call centre staff in the event of an emergency. In many emergency event situations, it is not only the *DN*SP's customers that are impacted but also staff. Severe weather events can often prevent staff from reaching their workplace to assist with emergency response leaving the *DN*SP having to identify alternative staff to assist. Allowing a *DN*SP's affiliated *RESP*(s) to assist with emergency response would enable Energex and Ergon Energy to more efficiently deliver direct control services in the long term interests of consumers, compared with the current drafting of the Draft Amended Guideline.

Definition of regional office

The Draft Amended Guideline provides an exemption from functional separation for a *regional office*, meaning an office that has less than 25,000 *connection points* within a 100 kilometre radius of that office. Energex and Ergon Energy propose that this definition be extended to allow *DN*SPs to assist customers where there is market failure resulting in no alternative locally located service provider, similar to retailer of last resort arrangements in place to respond to market failure in the retail market.

Energex and Ergon Energy propose the following as an alternative definition of *regional office*:

an office that has less than 25,000 connection points within a 100 kilometre radius of that office, or where there is no locally located alternative service provision resources able to meet customer requirements

Energex and Ergon Energy are concerned there will be circumstances, particularly in some parts of regional Queensland where there are no or limited alternative service providers who can meet customer needs in a timely manner. Under this proposal, the customer would be able to determine for themselves who best met their requirements and they would be able to receive service from Energex or Ergon Energy if they considered this to be in their own best interests.

Drafting amendments

Clause 4.3.4 of the Draft Amended Guideline relates to the sharing of information. Energex and Ergon Energy note that there are a number of other legal instruments and contractual obligations that a *DN*SP must comply with in relation to information disclosure, such as under the *National Electricity Rules* and the *Privacy Act 1988* (Cth). Energex and Ergon Energy consider that the Amended Draft Guideline should reflect these obligations by clarifying that information does not need to be disclosed by the *DN*SP under 4.3.4 where the disclosure would otherwise result in the *DN*SP breaching those other legal or contractual obligations.

In the Draft Amended Guideline, the AER has proposed to include an exemption from the requirement for *DN*SPs to include corporate staff on their staff register. Energex and Ergon Energy support this proposed amendment and, moreover, propose that this exemption be extended to the requirements of a *DN*SP's office register under clause 4.2.4(a). It is proposed that this clause be amended as follows:

the classes of offices to which it has not applied clause 4.2.1(a) by reason of clauses 4.2.1(b)i,a, 4.2.1(b)i,b or 4.2.1(b)iii

Energex and Ergon Energy value the opportunity to continue to work with the AER and other stakeholders in developing and refining a guideline that is effective in achieving ring-fencing objectives without imposing unnecessary compliance costs on the industry and ultimately customers.

Yours Sincerely

A handwritten signature in black ink, appearing to be 'Jenny Doyle', with a long horizontal flourish extending to the right.

Jenny Doyle
General Manager Regulation and Pricing

