



Part of the Energy Queensland Group

14 November 2017

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

Dear Mr Pattas

Re: Ring-fencing waiver application draft decision

Energex Limited (Energex) and Ergon Energy Corporation Limited (Ergon Energy) welcome the opportunity to respond to the Australian Energy Regulator (AER) on its *Draft Decision, DNSP applications for waivers from the Electricity Distribution Ring-fencing Guideline* (Draft Decision).

Our waiver applications sought to facilitate a least cost and minimal impact transition to compliance with the Ring-Fencing Guideline (Guideline). While the waiver applications have not been granted in full, we generally accept the terms of the AER's Draft Decision. However, we do note an error in the Draft Decision as it relates to Ergon Energy's application for a waiver to enable it to continue to provide connection services to Hayman Island under the Ergon Energy brand. Specifically, the Draft Decision incorrectly refers to Ergon Energy only seeking this waiver in respect of its uniforms and fleet on the basis of the connection services being provided through an affiliated entity, with separate branding for communications, marketing material and website design.¹ However, Ergon Energy's waiver application was in fact made in respect of the full branding and cross promotion obligations under the Guideline.² As such, we request that the AER resolve this anomaly in its Final Decision.

Furthermore, we note that Ergon Energy's application for a waiver in respect of services provided in its isolated systems was only made with reference to 34 of its isolated networks. However this application should have been made in respect of the 35 isolated networks owned and operated by Ergon Energy, including the 220kV supply network in the Mount Isa-Cloncurry region, which was not referenced in the original waiver application. Like the other 34 unregulated isolated networks, services provided using the 220kV supply network in the Mount Isa-Cloncurry region are not provided on a competitive basis, nor is there any reasonable likelihood of an opportunity to discriminate against third parties in the provision of services using this network, given its remote location.

¹ Australian Energy Regulator *Draft Decision DNSP applications for waivers from the Electricity Distribution Ring-fencing Guideline*, October 2017, p.47.

² Ergon Energy, *Ring-Fencing Guideline: Waiver Applications*, 31 July 2017, p.37.

We therefore seek the AER's inclusion of the 220kV supply network in the Mount Isa-Cloncurry region in its Final Decision on Ergon Energy's waiver application in respect of services provided in its isolated systems.

Energex and Ergon Energy are committed to ensuring compliance with our Guideline obligations and appreciate the availability of the AER to discuss key ring-fencing issues to date and look forward to ongoing engagement as we continues to implement our respective compliance programs.

Should you require additional information or wish to discuss any aspect of this submission, please do not hesitate to contact either myself on (07) 3851 6416 or Trudy Fraser on (07) 3851 6787.

Yours sincerely

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

Jenny Doyle
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