

31 January 2020

Ms Sarah Proudfoot
General Manager, Consumers and Markets
Australian Energy Regulator
GPO Box 520
Melbourne VIC 3001

By email: Ringfencing@aer.gov.au

Dear Ms Proudfoot,

Electricity Transmission Ring-fencing Guideline review - discussion paper

Thank you for the opportunity to respond to the discussion paper on the review of the Electricity Transmission Ring-fencing Guideline published in November 2019. Evoenergy requests that the AER exclude Evoenergy's transmission services that are delivered by dual function assets from the revised Electricity Transmission Ring-fencing Guideline.

The reasons why transmission ring-fencing should not apply to Evoenergy's transmission services are:

- that they are delivered by dual function assets which are primarily used for distribution services;
- Evoenergy already applies the ring-fencing regulations to the transmission services supplied over dual function assets under the Distribution Ring-fencing Guidelines; and
- there is no competition concern requiring a distributor's transmission services to be separated from distribution services.

Further explanation is provided below for each of these reasons.

1. Evoenergy's transmission services are different in nature to prescribed transmission services because they are delivered over dual function assets

Evoenergy owns and operates dual function assets that are primarily used for distribution services but are used to supply transmission services to support TransGrid's transmission route. These types of transmission services supplied over dual function assets are different in nature to prescribed transmission services supplied by transmission network service providers (TNSPs).¹ As dual function assets are primarily used to provide distribution services rather than to support the main transmission system, they have previously been excluded from rule changes that apply to TNSPs.² Evoenergy's transmission services are classified under the National Electricity Rules in a different way to most TNSP's transmission services, that is as 'transmission standard control services'.³

¹ National Electricity Rules Chapter 10 Glossary dual function assets. They are relatively lower voltage (between 66 kV and 220kV), operate in parallel, support a higher voltage transmission network and form part of a predominantly distribution network.

² AEMC (2011) National Electricity Amendment (Scale Efficient Network Extensions) Rule 2011 p.24.

³ National Electricity Rules 6.24 (a).

2. Evoenergy applies the distribution ring-fencing regulations to its dual function assets

The AER's competition concerns noted in the discussion paper are already addressed by Evoenergy through the application of the Distribution Ring-fencing Guideline to dual function assets regardless of whether the assets are being used for distribution or transmission services at a point in time.

As the objectives for transmission ring-fencing are the same as the objectives addressed by the Distribution Ring-fencing Guideline, there are no competition concerns with Evoenergy's transmission standard control services.⁴

3. There is no reason to separate a distribution network service provider's (DNSP's) distribution services from transmission services

Evoenergy as a DNSP supplying transmission network services is not required to apply separation between transmission and distribution services as explained in the AER's explanatory statement:

"It has been suggested that the current version of the Guideline requires the transmission and distribution businesses to be separated. This is not correct. The Guideline allows a DNSP to provide transmission services, and does not require separation of direct control services and transmission services. The revised definition of 'related electricity service provider' excludes affiliates that only provide transmission services."⁵

The reasons given by the AER for not requiring separation are that there is no harm to competition, it would be costly to separate and would reduce economies of scale.⁶ Evoenergy agrees with the AER's reasons. Evoenergy considers it appropriate for the AER to make clear in the explanatory statement and drafting of the forthcoming revised Electricity Transmission Ring-fencing Guideline that dual function assets are excluded from regulation under the Guideline.

If you wish to discuss any aspect of Evoenergy's submission, please contact Patricia Cameron on 02 6248 3812 or patricia.cameron@actewagl.com.au

Yours sincerely

Leylann Hinch
Group Manager Strategy and Operations
Evoenergy

⁴ AER (Nov 2019) Electricity Transmission Ring-fencing - a review of current arrangements: Discussion paper p.10.

⁵ AER (2017) Ring-fencing Guideline Electricity Distribution Explanatory Statement p.14.

⁶ Ibid.