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Submitted via email to AERringfencing@aer.gov.au

Dear Mark,

AER's electricity transmission ring-fencing guideline review

Jemena Electricity Networks (**JEN**) welcomes the opportunity to respond to the Australian Energy Regulator's (**AER**) draft electricity transmission ring-fencing guideline¹ (**guideline**). [REDACTED]

[REDACTED] The AER's intent for reviewing the guideline is to highlight the increasing appetite to promote contestability in areas that have traditionally been provided by monopoly transmission network service providers (**TNSPs**).² [REDACTED]

As a part of the review, the AER's draft guideline and accompanying explanatory statement outline the AER's scope of power regarding electricity transmission ring-fencing. Specifically, the review describes the limitations of its current powers under the National Electricity Rules (**NER**), stating:

In developing our draft position on obligations to prevent discrimination, we are mindful of the limitations on our current ring-fencing powers under the NER. The NER (clause 6A.21.2(a)) limits the AER's transmission ring-fencing powers to requiring accounting and functional separation of prescribed transmission services provided by a TNSP from other services.

We do not have the power to require accounting and/or functional separation of negotiated transmission services (most commonly the non-contestable components of a transmission connection) from non-regulated transmission services (including the contestable components of connections).³

Since TNSPs provide negotiated transmission services exclusively, the AER highlights there is a risk that TNSPs can continue to use this monopoly power to achieve favourable outcomes in providing transmission connection services.⁴ [REDACTED]

¹ Dated November, 2022.

² AER, *Electricity transmission ring-fencing guideline – Explanatory statement version 4, draft*, November 2022, p. vi.

³ AER, *Electricity transmission ring-fencing guideline – Explanatory statement version 4, draft*, November 2022, pp. 26-27.

⁴ AER, *Electricity transmission ring-fencing guideline – Explanatory statement version 4, draft*, November 2022, p. 27.

[REDACTED]

One of the reasons the AER considers brand separation is not required is that transmission customers are sophisticated.⁵ [REDACTED]

[REDACTED]

In its review, the AER distinguished transmission customers from distribution customers (focusing on low-voltage residential and small business customers), who they state are less sophisticated and, therefore, in need of brand separation. [REDACTED]

[REDACTED]

[REDACTED] pursuing a Rule change request to expand its ring-fencing powers to include the ability to specifically ring-fence negotiated transmission services in addition to prescribed transmission services from contestable services.⁶ The Australian Energy Market Commission (**AEMC**) has also noted that negotiated transmission services should be within the scope of the electricity transmission ring-fencing guideline⁷, which is also highlighted in the AER's explanatory statement:⁸

The Commission is of the view that a more appropriate division would be between a TNSP's provision of prescribed transmission services and negotiated transmission services, and its non-transmission or other contestable transmission services.

[REDACTED]

[REDACTED] If you have any questions regarding this submission, please get in touch with Matthew Serpell on [REDACTED] or [REDACTED].

Kind regards,

[REDACTED]

Ana Dijanosic
General Manager Regulation
Jemena Electricity Networks

⁵ AER, *Electricity transmission ring-fencing guideline – Explanatory statement version 4, draft*, November 2022, p. x.

⁶ AER, *Electricity transmission ring-fencing guideline – Explanatory statement version 4, draft*, November 2022, p. 27.

⁷ AEMC, *Transmission connection and planning arrangements, Rule determination*, May 2017, pp. 167-168.

⁸ AER, *Electricity transmission ring-fencing guideline – Explanatory statement version 4, draft*, November 2022, p. 27.