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Mr. Moston Neck  
Director, Consumers and Markets  
Australian Energy Regulator

Sent via email: [ringfencing@aer.gov.au](mailto:ringfencing@aer.gov.au)

Dear Mr. Neck

## Electricity ring-fencing guideline review

Power and Water Corporation (Power and Water) supports ring-fencing and the role that it plays in promoting the long term interests of customers, and we welcome the Australian Energy Regulator's (AER) review of the current electricity distribution ring-fencing guideline.

The legislative and regulatory framework within which Power and Water operates is undergoing extensive changes. On 1 July 2019, Power and Water became subject to the AER's electricity distribution ring-fencing guideline, with practical modifications to make the guideline suitable for the Northern Territory as set out in the [Northern Territory National Electricity Rules](#).

Under the current guideline, Power and Water's first ring-fencing compliance report is due to the AER in October 2020 (i.e. after the first financial year that the guideline is in place). Power and Water understands that the AER is considering a move to calendar year compliance reporting.

Power and Water is supportive of the move due to the smoothing of resourcing requirements. However, Power and Water suggests that the AER consider an 18-month compliance report to support the transition from financial to calendar year reporting.

Further to the move from financial to calendar year reporting, Power and Water considers that the external Regulatory Information Notice (RIN) audit (done on a financial year basis) should be relied upon when assessing compliance with the AER-approved Cost Allocation Method (CAM). An additional external audit assessing CAM compliance, only six months after the external RIN audit, would significantly increase compliance costs.

If you would like to discuss these matters further, please contact me on [lucy.moon@powerwater.com.au](mailto:lucy.moon@powerwater.com.au) or 0427 202 853. Thank you for your ongoing collaboration as we transition to this new regulatory regime.

Yours sincerely

Lucy Moon  
Senior Manager Network Regulation & Pricing

25 September 2019