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Mr Chris Pattas
General Manager, Network Pricing, Policy and Compliance
Australian Energy Regulator

sent by email: ringfencingguideline2016@aer.gov.au

Dear Mr Pattas

RING FENCING DRAFT GUIDELINE – SUBMISSION BY POWER AND WATER CORPORATION

Thank you for the opportunity to respond to the ring fencing guideline (guideline) exposure draft.

Power and Water Corporation (Power and Water) believes that there is currently no evidence of market failure in the Northern Territory that would necessitate the application of the proposed guideline, and further, expects that the proposed guideline will result in inefficient outcomes for Northern Territory electricity consumers.

In addition to Power and Water's general concerns, the current transition of network regulation from the Utilities Commission to the Australian Energy Regulator (AER) complicates Power and Water's application of the guideline. Any requirement for Power and Water to apply the guideline before a classification of services is made, and a cost allocation method is approved, under the National Electricity Rules (NER) would require customised compliance arrangements. With these arrangements yet to be agreed, it would introduce significant compliance risk to the Corporation. This would also provide a distraction from the current transition project for what could only be considered temporary adhoc arrangements.

You would also be aware that the Northern Territory Government has yet to make a formal decision on the adoption of the remainder of the NER, including Chapter 7. Chapter 7 appears to be a significant influence on the timing of this exposure draft and without that driver in the Northern Territory, the urgency to apply the proposed guidelines by 1 December 2016 would not appear to be as crucial.

Given the issues identified above, Power and Water is seeking a variation to clause 7.4 of the guideline, providing an exemption for the Northern Territory from complying, or at a minimum, defer the effective date until 1 July 2019.

Regardless of the outcome Power and Water will endeavour to work collaboratively with the AER to ensure a pragmatic and efficient application of our compliance obligations.

If you would like to discuss this matter further please don't hesitate to contact Jodi Triggs – A/Senior Executive Manager Compliance, Economics and Market Services on (08) 8985 8456 or by email: jodi.triggs@powerwater.com.au.

Yours sincerely



Michael Thomson
Chief Executive

18 November 2016