



30 May 2016

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

Dear Sir,

Response to Electricity Ring-Fencing Guideline - Preliminary positions April 2016

This letter is a submission in response to the AER's "Electricity Ring-Fencing Guideline - Preliminary positions April 2016". The Notice reads "Interested parties are invited to make written submissions to the Australian Energy Regulator (AER) regarding this paper".

It is noted that this guideline will support the development of competitive markets for energy services and efficient investment in network and customer services, particularly that under ACCC regulations that a level playing field needs to result for such investment from public and/or private sources.

With Regional Electricity Micro-grids Pty Ltd being a private entity, it competes for energy services and investment in network and customer services primarily with Community Resilience Microgrids. In the most recent 12 months the costs for this start-up was bounded by Queensland University of Technology research of scope *Protection using PMU* plus two papers submitted to IEEE conferences; *Charting the Course for Tasmania's Energy Cloud Roadmap* (Ref B) and *Your Roadmap to Community Resilience Microgrids: Taking the First Steps* (Ref C).

Thus Regional Electricity Micro-grids is interested in exploring ring-fencing use cases for application of Community Resilience Microgrids to legacy hub-and-spoke edges of the distribution network. Regional Electricity Micro-grids's principle objective is to protect the investments from public and/or private sources into Community Resilience Microgrids.

Network service provider's (NSP) have monopoly control over legacy hub-and-spoke edges of the distribution network. To protect investments into Community Resilience Microgrids, AER needs to broaden its definition of ring-fencing to the legal walling off of certain assets or liabilities within a NSP, as in a company forming a new subsidiary to protect (ring-fence) specific assets from creditors.

The aims of these ring-fencing measures have to be intended to insulate a regulated utility from the potentially riskier activities of an unregulated affiliate ***and /or*** the financially deteriorating potential of a regulated utility (Ref A) from the profitably efficient activities of an unregulated affiliate. Importantly, AER's Electricity Ring-Fencing Guideline obligation is not design to remove the threat of bankruptcy from a regulated utility ***and /or*** an unregulated affiliate.

Network service provider's own most of the poles, wires, transformers and other assets in legacy hub-and-spoke edges of the distribution network and under AER's Electricity Ring-Fencing Guideline, Regional Electricity Micro-grids advocates a more flexible arrangement for ring-fencing as a concept where these assets are disaggregated from NSP and owned by others yet maintained and operated under contract by NSP.

Thus Regional Electricity Micro-grids supports a review of AER's Electricity Ring-Fencing Guideline to consider the issues and potential benefits of different use cases for application of Community Resilience Microgrids to legacy hub-and-spoke edges of the distribution network that protect the investments from public and/or private sources into Community Resilience Microgrids, including ring-fencing regulations proven-in-use from international jurisdictions – Ref D & E.

Yours sincerely,



Marcus DW Steel

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References:

- A. *The Death Spiral* (Intelligent Utility magazine article - November /December 2013 issue); *Impact of High Penetration of Rooftop Solar PV in the State of Queensland, Australia*; <http://community.energycentral.com/community/energy-biz/will-australias-changing-grid-include-death-spiral> and related submissions to AER since by Energex and Ergon Energy.
- B. *Charting the Course for Tasmania's Energy Cloud Roadmap* delivered to the Institute of Electrical and Electronics Engineers, Power & Energy Society, Asia-Pacific Power and Energy Engineering Conference 2015, 15-18 November 2015 // Brisbane, Australia
- C. *Your Roadmap to Community Resilience Microgrids: Taking the First Steps* submitted to the Institute of Electrical and Electronics Engineers, 7th IEEE International Conference on Smart Grid Communications, 06 - 09 November 2016 // Sydney, Australia.
- D. Review of the 'Ring Fence' Conditions in Network Operator Licences; Office of Gas and Electricity Markets, 9 Millbank London SW1P 3GE; 3 March 2010
- E. Commission Staff Analysis of Ring-Fencing Measures for Investor-Owned Electric and Gas Utilities; <http://www.psc.state.md.us/wp-content/uploads/RevisedRing-FencingReport.pdf> February 18, 2005