

13th November 2017

Australian Energy Regulator
GPO Box 520
Melbourne VIC 3001

Attention: Mr. Chris Pattas, General Manager, Networks

Re: AER Ringfencing Guidelines – Version 2

Dear Sir,

In response to AER's Ring Fencing Guideline Version 2 – Explanatory Statement issued on 17th October 2017 we submit the following comments:

- We are pleased to learn this guideline will apply to the sale of materials as well as the provision of services by DSNP's.
- We agree there are numerous services provided a DSNP may provide and consideration should be given to the classification and relevance to any ring-fencing obligations.
- We do not consider, the sale of materials to be one of these services to be granted exemption from being ring-fenced.
- By granting waivers regarding this service, the AER is having an "each way bet" because on one hand, the Guideline states, "*our interpretation of the Rules is that the term 'services' has a very broad meaning, and that the Guideline applies to the full range of different services a DSNP might provide, including where they might sell or provide goods as well as services to consumers. We note that it is the way a service is classified that will determine whether or not the DSNP may provide the service and any ring-fencing obligations that might apply*" Yet on the other hand, waivers are granted for the sale of inventory on the basis the materials will become part of the shared distribution network, therefore is regarded as an alternative control service?
- At the point of sale, how can any seller of materials & equipment, possibly determine if the goods sold will in fact become part of the shared distribution network or not? You can't, it's impossible, they could end up anywhere? It would be fair to assume the majority of goods probably would become part of the shared distribution network, but some most definitely will be used elsewhere, eg: private networks.



- So, the default position of DSNP's selling materials and equipment is because most, but not all goods are **assumed** will become part of the shared distribution network, we apply for a waiver to ring-fence this commercial activity. As these waivers have already been granted, it is clear the AER supports this position!
- To small Australian Companies, trying to compete against such larger opposition, these rules as explained are very disheartening as they do not provide a level playing field and peoples jobs are at risk!
- Why bother interpreting the Guideline to apply to the provision of goods as well as services then grant waivers for this type of service? Surely, for the sake of clarity and fair competition, it either does or doesn't?
- If the AER wants to provide a level playing field for **ALL** parties, the commercial activity of DSNP's selling materials and equipment into the traditional market of commercial companies needs to be ring-fenced, no waivers should be granted. If this is not the intention of AER, then the Ring-Fencing Guidleline Version 2 does a great job!

Thank you for the opportunity of commenting.

Yours sincerely



Rory Solomon
Managing Director
Sicame Australia P/L