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Our Ref: 22663
Your Ref: ERC0179
Contact Officer: Paul Dunn
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29 October 2015

Mr Ben Davis
Project Manager
AEMC
PO Box A2449
SYDNEY SOUTH NSW 1235



Dear Mr Davis

Re: Submission – Embedded Networks rule change proposal

I refer to the draft rule change determination on the Embedded Networks rule change proposal dated 10 September 2015. As we previously acknowledged, the AER participated in the development of this rule change proposal by the Australian Energy Market Operator (AEMO).

We note that the AEMC considers the draft rule should require that two AER guidelines be amended consequential to the rule change. These are:

- i. the Electricity Network Service Provider Registration Exemption Guideline and
- ii. the AER's distribution ring-fencing guidelines.

We support this recommendation. We consider both guidelines should be reviewed to canvas a wide range of market issues and regulatory developments relevant to the operation of either or both of them, which have emerged since they were last revised. We note that it was our intention to undertake a broadly based review of each guideline in the near term. This rule change is timely in that regard, as our review can take into account the additional matters raised by this rule change proposal.

We also note that the AEMC has asked in our revision of the guideline that the AER consider for the various network exemption categories and classes whether an embedded network manager (ENM) should be appointed. We believe this is desirable. We note that a number of respondents to your consultation raised concerns whether, in their circumstances, they should be required to appoint an ENM. We consider for some network exemption classes it is unnecessary (e.g. rail networks, mining, primary production). Further, in other classes (small networks, retirement homes, community

based schemes, etc) the benefits of the ENM role may not be economically justified. We would address this issue as part of our broader consultation

If the AER can assist further with your deliberations on this proposal please contact Mr Paul Dunn, Director - Network Investment and Pricing on 03 9290 1426.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Chris Pattas', with a stylized, cursive script.

Chris Pattas
General Manager - Network Investment and Pricing