

22 July 2022

General Manager, Strategic Policy and Energy Systems Innovation  
Australian Energy Regulator  
GPO Box 520  
Melbourne VIC 3001

Via email: [AERringfencing@aer.gov.au](mailto:AERringfencing@aer.gov.au)

Dear Ms Gout

## **RE Ring-fencing Guideline Electricity Transmission - Issues Paper**

TasNetworks welcomes the opportunity to make a submission to the Australian Energy Regulator (**AER**) on the Ring-fencing Guideline Electricity Transmission issues paper.

As both the Transmission Network Service Provider (**TNSP**) and Distribution Network Service Provider (**DNSP**) in Tasmania, TasNetworks has operated under ring-fencing arrangements since inception and supports the intent behind them. When appropriately applied, ring-fencing can benefit customers by ensuring the proper allocation of costs and the promotion of competition in the provision of electricity services.

As a DNSP, TasNetworks has operated under the Electricity Distribution Ring-fencing Guideline (Distribution Guideline) since 1 January 2018. TasNetworks appreciates the efforts made by the AER in providing clarity and the granting of waivers when required to protect customer interests.

As a TNSP, TasNetworks considers the current arrangements, provided by the combination of the current Transmission Ring-fencing Guidelines, National Electricity Rules obligations, cost allocation principles and broader competition law requirements, are providing more than adequate protections to competition and therefore optimal customer outcomes. As a consequence, TasNetworks considers there is no need for material changes to the current transmission ring-fencing arrangements.

TasNetworks supports the Energy Networks Australia's (**ENA**) submission and would like to make several further comments reflecting a Tasmanian perspective. The key points in our attached submission are:

- The need to ensure the application of ring-fencing is appropriate given local circumstances. Where competition is limited, as can be the case in Tasmania, removing the ability of the local network service provider to provide certain services, will leave customers facing an unregulated monopoly provider or no provider at all. While this can be managed through the granting of waivers this does come with administrative costs to both the network business and the AER. For this reason, TasNetworks encourages the AER not to rely on waivers to compensate for additional regulation.
- While there may be concerns about TNSPs providing new services in the future, ring-fencing should only be used to manage actual situations where there is evidence of the networks' behaviour having a detrimental impact on competition, rather than a perceived or theoretical impact. Often new services are introduced after an issue has been identified that the TNSP has invested in mitigating. To exclude the TNSP from the on-going provision of this service will strand the investment.
- The need to provide clarity for businesses operating under both distribution and transmission ring-fencing Guidelines to ensure they are not placed at a competitive disadvantage by having to implement different corporate structures to provide the same services as other businesses.

A second attachment is appended which provides a comparison between distribution and transmission and why differences in how they are treated under ring-fencing is justifiable.

Should you have any questions, please contact Chantal Hopwood, Leader Regulation, via email ([chantal.hopwood@tasnetworks.com.au](mailto:chantal.hopwood@tasnetworks.com.au)) or by phone on 0400 827 037.

Yours sincerely



Michael Ash

Executive Stakeholder