

21 December 2020

General Manager, Consumers and Markets  
Australian Energy Regulator  
GPO Box 520  
Melbourne VIC 3001

Dear Sir/Madam

**RE Updating the Ring-fencing Guidelines for Stand-Alone Power Systems and Energy Storage Devices**

TasNetworks welcomes the opportunity to respond to the Australian Energy Regulator's (**AER**) issues paper on Updating the Ring-fencing Guidelines for Stand-Alone Power Systems and Energy Storage Devices (**Issues Paper**).

TasNetworks is the Transmission Network Service Provider (**TNSP**), Distribution Network Service Provider (**DNSP**) and Jurisdictional Planner (**JP**) in Tasmania. TasNetworks is also the proponent for Marinus Link, a new interconnector between Tasmania and Victoria.

TasNetworks acknowledges the risks customers may face from cross subsidisation and discrimination arising from certain behaviours by DNSPs and TNSPs and thus the need for ring-fencing of some business functions. Given TasNetworks' focus on delivering safe, secure and reliable electricity network services to Tasmanian and National Electricity Market (**NEM**) customers at the lowest sustainable prices, it supports the AER's review of the Distribution Ring-fencing Guideline.

As the AER states in the Issues Paper, 'Ring-fencing aims to drive effective competition where it is feasible, to open up new markets to competition and to provide effective regulation where competition is unattainable.' While the aim is to drive effective competition, it is important to recognise situations where competition may not yet be effective and that a pragmatic response is required to allow DNSPs to provide regulated services to customers. This approach enables the promotion of positive customer outcomes while supporting the market transition.

TasNetworks has contributed to and supports the Energy Networks Australia (**ENA**) submission and makes the following observations for emphasis.

The AER has correctly identified the likelihood of situations where the competitive provision of Stand-Alone Power Systems (**SAPS**) will not arise. In these circumstances, the best outcome

for customers will be for the DNSP to be exempt from ring-fencing provisions so it can provide the SAPS. TasNetworks supports a broad-based, simplified and streamlined process to SAPS exemptions as this will provide the greatest certainty for DNSPs and therefore, through the reduction in regulatory uncertainty, costs to customers. There are risks to DNSPs from the use of thresholds to grant exemptions. What would be a suitable threshold for competition in one jurisdiction may not be the case in another for a variety of reasons and therefore it may not be possible to find suitable thresholds that can be applied across the NEM. TasNetworks recommends further discussion on any thresholds should occur before they are implemented to ensure they are suitable in all jurisdictions.

Customers at the edge of our network have identified reliability as a key concern. If, as is likely, these customers are in the future connected to a SAPS the ability to restore faults with the generation system will be critical in ensuring customers' reliability expectations are met. DNSPs will likely be called on when there is an outage and it therefore seems appropriate that the DNSP is provided an exemption to undertake repairs and restore power under fault conditions. The impact, if any, from DNSPs obligations regarding reliability of SAPS should also be considered. In addition, there would need to be adequate protections to prevent third parties responsible for maintenance of the equipment avoiding their responsibilities by providing substandard maintenance knowing the DNSP would step in when equipment failed.

With regards to energy storage devices, TasNetworks reiterates the focus must be on ensuring positive outcomes for customers. The ability for a DNSP to find the most cost effective way of operating and maintaining the network will provide customers with the best outcome, both from a cost and reliability perspective. By forcing DNSPs to source services from third party battery providers assumes that competition in the provision of this service will be sufficiently mature as to both drive down costs and ensure access to the service when required. Especially when these services are required in set geographical locations this is not guaranteed. The AER is therefore encouraged to ensure ring-fencing obligations do not assume competition is sufficient to provide the best outcomes.

Should you have any questions, please contact Chantal Hopwood, Leader Regulation at [chantal.hopwood@tasnetworks.com.au](mailto:chantal.hopwood@tasnetworks.com.au).

Yours faithfully

A handwritten signature in blue ink, appearing to read 'W. Tucker', with a stylized flourish at the end.

Wayne Tucker

General Manager, Regulation, Policy and Strategic Asset Management