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Contact Officer: Paul Dunn
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5 August 2011

Mr Greg Wilson
Secretary
Department of Sustainability and Environment
PO Box 500
East Melbourne VIC 8002

Dear Mr Wilson

Full Exemption – Victorian Desalination Plant

Thank you for your correspondence requesting exemption for the State, Melbourne Water Corporation and the Secretary of the Department of Sustainability and Environment from the requirement to register as a network service provider and the operation of Chapter 5 of the National Electricity Rules.

On 5 August 2011, the Australian Energy Regulator granted the requested exemption, subject to conditions, to all the listed parties, under clause 2.5.1 of the National Electricity Rules. Please note the exemption is personal to the applicants and does not apply to any other person that owns, controls or operates the network at the time of the decision or in the future. The decision is set out at Attachment A to this letter.

Should you have any queries in relation to this letter, please contact Mr Paul Dunn on (03) 9290 1426.

Yours sincerely



Chris Pattas
General Manager
Network Operations and Development

NETWORK SERVICE PROVIDER EXEMPTION
DEPARTMENT OF SUSTAINABILITY AND ENVIRONMENT
NOTICE OF DECISION TO GRANT EXEMPTION

I, Michelle Groves, in accordance with a delegation made by the Australian Energy Regulator ('AER'), on 5 August 2011, decided pursuant to:

- (a) section 13 of the National Electricity (Victoria) Law (NEL); and
- (b) clause 2.5.1 of the National Electricity Rules (NER),

to grant the State of Victoria, Melbourne Water Corporation and the Secretary of the Department of Sustainability and Environment (Applicants) an exemption (Exemption) from:

- (c) the requirement to register as a Network Service Provider (NSP); and
- (d) the operation of Chapter 5 of the NER,

subject to the conditions set out in this notice.

Specified distribution system

1. The Exemption is limited to the network specified in the Applicant's submission made to the AER dated 15 June 2011.

Note: The Exemption applies to the high voltage connection and transmission system connecting the Victorian desalination plant to the Cranbourne Terminal Station (CBTS). The connection is a dedicated supply line to the desalination plant and the associated booster pump station.

Licence

2. The Applicant must comply with any law of the State of Victoria requiring the Applicant to be authorised to own, operate and/or control the network.

Note: The AER understands that the Applicant does not require a licence as a retailer and distributor of electricity as the network will be used for the sole purpose of supplying the desalination plant and associated booster pump station. Also, that the network will be operated by a suitably qualified NEM registered network service provider.

Maintenance and technical standards

3. The Applicant must maintain the network at least to the standards specified in any legislation applicable to the applicant or the specified transmission system.

Note 1: Relevant legislation under this section includes, but is not limited to, the National Electricity (Victoria) Law, the National Electricity Rules, the Electricity Industry Act 2000 (Vic) and the Electricity Safety Act 1998 (Vic).

Note 2: For the avoidance of doubt, conditions 9(b) and 9(c) apply to the interpretation of condition 3.

Connection

4. The Applicant shall only use the network for the purpose outlined in section 1.

Commencement and expiry

5. The Exemption takes effect on and from 5 August 2011.
6. If the Applicant becomes aware that any condition of this Exemption is not satisfied, the Applicant must promptly (and, in any event, within one month) notify the AER.
7. The Exemption terminates on the date that:
 - (a) the Applicant is dissolved;
 - (b) the Applicant fails to satisfy condition 2 and/or 3;
 - (c) the AER decides to repeal the Exemption in accordance with condition 8.
8. The AER may decide to amend or repeal the Exemption. The decision to repeal the Exemption is exercisable in the same way, and subject to the same conditions, as the decision to grant the Exemption.

Note: For example, the AER may decide to repeal the Exemption in the event that condition 2, 3 or 6 to the Exemption is not satisfied, or if there is a material change to the persons connected to the network.

Interpretation

9. In this Exemption, unless the contrary intention appears, a reference to:
 - (a) a statute, regulation, rule or other law includes regulations and other instruments made under it and consolidations, amendments, re-enactments or replacements of any of them;
 - (b) an agreement or a provision of an agreement includes an amendment or supplement to, or replacement or novation of, that agreement or that Provision of that agreement;
 - (c) except in relation to references to the Applicant, a particular person includes a reference to the person's successors, substitutes (including persons taking by novation) and assigns.

ATTACHMENT A

Note: The Exemption is personal to the Applicants, and does not apply to any other person that owns, controls or operates the network at the time of the decision or in the future.

A handwritten signature in black ink, appearing to read 'Michelle Groves', with a long, sweeping horizontal flourish extending to the right.

Michelle Groves

Delegate of the Australian Energy Regulator

DATED: 5 August 2011