

14 June 2024

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Dear Commissioners

We appreciate the opportunity to provide feedback on Powercor's application for a transmission licence in Victoria. AusNet supports the competitive framework for contestable transmission services in Victoria and welcomes additional licences to transmit electricity.

To demonstrate the good faith with which we have approached this consultation, we have engaged objective expert consultants, Baringa Partners, to prepare an assessment of the potential implications of the transmission licence application from Powercor.

We would be delighted to share and discuss with the Commission Baringa's informed report commissioned by AusNet.

Neither AusNet nor the expert report puts forward any position on whether the Commission should grant Powercor an electricity transmission licence. We do not question Powercor's technical or financial capacity, and therefore position, to be granted a licence. Rather, the expert assessment focuses on the potential implications of granting such a transmission licence as applied for, given the unique nature of basing the licence on a geographic area alone without reference to specific assets.

AusNet supports Baringa's assessment that the Powercor application does not raise any material issues with a distribution network service provider or its affiliates, per se, being issued one or more licences to transmit electricity in the context of an actual or contemplated augmentation to the declared shared network in Victoria. There is precedent for this in Victoria, including with entities we understand to be affiliates of Powercor, and is not in itself problematic.

Ausnet agrees with Baringa's assessment supporting a more competitive sector. We understand that a core principle of the policy and regulatory framework underpinning the national electricity market is the promotion of competition where feasible. This is also a central factor in Victoria's transmission regulatory arrangements. We agree with Baringa's assessment that competition promotes efficiency, choice and innovation in the long-term interests of Victorian consumers. Including contestability of, and competition for, transmission services where feasible.

It is noted, however, that contestability of transmission services is not determined by licensing, but through legislation. Contestability of various transmission services exists in Victoria currently, with several entities other than AusNet owning, controlling or operating parts of the Victorian transmission system, including affiliates of Powercor (as noted in the report). These entities have successfully participated in the competitive process and subsequently sought licensing for the activity of transmitting electricity via the transmission assets, or system, that they are building, own and seek to operate.

Powercor is able to participate in this competitive process irrespective of whether it has a pre-existing transmission licence. Powercor is nonetheless seeking a licence in advance of being selected to provide any specific contestable services, rather than winning the work, as currently occurs.

Baringa's assessment has identified several potential unintended consequences (risks of potential harm) of the granting of a licence as proposed in Powercor's application:

- based solely on a geographical area without reference to specific assets; and
- particularly in circumstances for a geographical area in which the applicant is the sole licenced provider of non-contestable distribution services.

Defining a transmission licence by geographic area alone without reference to any specific assets is without precedent, with other granted electricity transmission licences in Victoria defined by assets. This includes AusNet whose transmission licence is not defined by geographic area. Rather, AusNet has a licence to transmit and supply electricity using the declared transmission system that it owns, operates and augments. This is an important distinction in relation to the current application, which does not identify a specific transmission system to which it would apply. The current regulatory framework has not been developed with this approach in mind, nor do the nuances of Victoria's unique contestability framework for transmission take this type of licence, or the implications of it, into account.

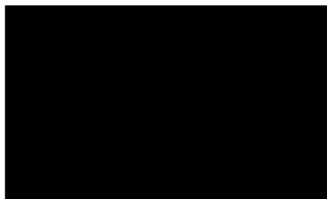
In summary, without reconsidering the geographic licence approach or introducing mitigation measures (such as through licence conditions), based on Baringa's assessment we believe further consideration should be given by the Commission to the novel nature of the licence sought and some of the outlined use cases, in light of:

- **long term interests of end users** – reducing transparency of options and pricing for customers, by 'bundling' non-contestable distribution services and contestable transmission services (for which customers can shop for competing offers) such that the delineation is unclear. While a bundled offer may be a simple offer for the customer, it risks detracting from, rather than enhancing, competition for contestable services and may have a cooling effect on other potential DTSOs entering the region;
- **cross-subsidisation** - risk of costs not being appropriately allocated between (including over time in situations in which the nature of a service, and/or use of assets, may change) distribution customers and transmission service customers; and
- **inconsistency and confusion with the national regime** that applies in Victoria regarding augmentations to, and the provision of shared transmission services and connection services utilising, the declared shared network in Victoria, as well as uncertainty as to whether the potential use case will help or hinder the Victorian Government's ongoing development of the Victorian Transmission Investment Framework.

If the Commission is minded to grant a licence based on geographic area that correlates with the geographic area of the sole licensed electricity distributor in that area, we invite consideration of licence conditions to avoid or mitigate the risk of these potential harms.

We welcome further discussion and are happy to engage with the Commission and Powercor, as appropriate, on points identified here and in the Baringa report along with potential mitigants for identified harms.

Yours faithfully,



Tom Hallam
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AusNet Services