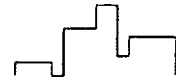


DEPARTMENT OF FINANCE
CORPORATE INFORMATION

27 MAY 2016



DEXUS
PROPERTY GROUP

25 May 2016

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Alex Kroon
A/Project Leader
Markets and Regulation Division
Public Utilities Office, Department of Finance
Locked Bag 11
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Dear Mr Kroon,

Re: Amendments to electricity and gas on-selling licence exemptions

DEXUS Property Group welcomes the opportunity to provide comment on the draft amendments to the electricity and gas on-selling licence exemptions to allow a third party to manage the on-seller's embedded network and supply customers within the network on behalf of the on-seller.

DEXUS Property Group is one of Australia's leading real estate groups, investing directly in high quality Australian office and industrial properties. With \$21.1 billion of assets under management, the Group also actively manages office, industrial and retail properties located in key Australian markets on behalf of third party capital partners.

DEXUS Property Group does not support the proposed amendments and the speed of which Government are attempting to pass them. The short consultation period and work program timeline does not allow for proper analysis of the implications to market consumers including commercial landlords who may have their control of their embedded networks diluted by the proposed changes.

We have consulted extensively to determine the impact of the proposed changes and do not support them without a thorough consultation period and recognition of landlord's ownership of their embedded networks.

DEXUS Property Group puts forward the following recommendations:

- **Extend the consultation time period and work program timeline to allow affected stakeholders to fully analyse the impacts of the proposed changes**
- **Acknowledge the ownership of the embedded networks and conduct a proper review of the impact on current existing legal contracts and the effect the changes will have should a landlord opt to appoint a third party to manage their embedded network**
- **Finish the energy market review phase 2 before making any changes**

Extend the consultation time period and work program timeline

The cornerstone of good policy is genuine, transparent and comprehensive consultation which considers the real-world impact a policy will have on affected businesses, organisations and communities. This is likely to lead to better outcomes and greater acceptance by key stakeholders, some of who may be negatively affected by the policy. Furthermore, timeframes for consultation should be realistic to allow stakeholders enough time to provide a considered response.

The consultation period on the paper outlining the proposed amendments to electricity and gas on-selling licence exemptions does not give affected stakeholders adequate time to review the proposed changes and their impact.

Any changes to the existing energy market rules will have an impact on the commercial and strata sector of the retail energy market and therefore this sector has a right to a considerate and genuine consultation period to enable full analysis of the implications of the proposed changes. The work program timetable also needs to be extended to ensure a robust and transparent consultation process.

According to the work timetable set out by the Public Utilities Office (PUO) the public consultation paper was released on 27 April with the response period lasting 30 days, followed by a review of submissions due to be completed in May, and then ministerial approval being sought in May/June 2016. The result is a full work program timetable of a month.

For significant changes, such as the ones being proposed in this paper, a much broader and extended work program timetable is necessary to guarantee proper and effective consultation.

DEXUS Property Group calls on Government to extend the consultation period and work program timetable to give affected stakeholders adequate time to fully analyse the impact of the proposed changes and respond to them. Greater involvement will assist the PUO in delivering better outcomes with greater acceptance from affected stakeholders.

Recommendation(s)

- **Extend the consultation time period and work program timeline to allow affected stakeholders to fully analyse the impacts of the proposed changes**

Acknowledge the ownership of the embedded networks

The draft amendment papers do not acknowledge current ownership of the embedded networks. Landlords, who own the embedded networks, are described as a “barrier to entry by market participants”.

Landlords are most affected by the proposed changes and require acknowledgement as the owners of the electrical infrastructure. The paper does not acknowledge the existence or value of a landlord’s existing legally contractual arrangements (i.e. leases) or the possible effects the amendments will have, should a landlord opt to appoint a third party.

The commercial property sector, by its ownership and investment in embedded network infrastructure, should be both acknowledged and protected in the proposed amendments. Any change to the retail energy market in WA must not dilute or compromise ownership rights and or investment made by end users into their embedded network infrastructure and meter network assets. It is necessary that owners retain the right to recover fees to manage and maintain this infrastructure.

Technology innovation in embedded network smart metering, and power quality improvement associated infrastructure is active within the property market, but limited in scale. State Government input and assistance is necessary for the development of drivers, mechanisms and incentives to proliferate deployment of this current technology and innovation.

Any proposed energy market rule changes to the commercial and strata sector of the retail energy market allowing third party entry into the embedded network markets should consider existing contractual structure and framework currently in place, i.e. tenant leases, energy supply contracts and revenue recovery arrangements. Unconsidered changes could result in legal implications, adversely affecting property values, existing income streams, operational expenditure budgets and lease arrangements.

If not considered carefully, legislation changes around the design, management and cost recovery of an embedded network could have far reaching implications on Landlords asset ownership rights by diluting control of their existing embedded networks.

Recommendation(s)

- **Acknowledge the ownership of the embedded networks and conduct a proper review of the impact on current existing legal contracts and the effect the changes will have should a landlord opt to appoint a third party to manage their embedded network**

Finish the energy market review phase 2

Phase 2 of the Government's Energy Market Review involves investigating a broader agenda relating to full retail contestability. This review is still currently under way with a position paper due sometime in the first half of 2016.

With the current review currently underway, it is premature for the Government to propose changes which have significant implications on the commercial property and strata property markets who are significant contributors and stakeholders in the Western Australian Electricity Market.

We support the Government's completion of its phase 2 Energy Market Review before proposing amendments to electricity and gas on-selling licence exemptions. This will allow embedded network customers and operators to fully investigate the implications of the review before further changes are proposed.

This will allow owners of embedded networks the opportunity to analyse the ramifications of proposed changes to the designing, commissioning and the ongoing management of large and small scale networks.

Recommendation(s)

- **Finish the energy market review phase 2 before making any changes**

Conclusion

DEXUS Property Group does not support the proposed amendments and the speed of which Government are attempting to pass them. The short consultation period and work program timeline does not allow for proper analysis of the implications to market consumers including commercial landlords who may have their control of their embedded networks diluted by the proposed changes.

The commercial property and strata property markets must be recognised as significant contributors and stakeholders in the Western Australian Electricity Market. Their contribution to energy competition, efficiency programs and peak load reductions must be recognised and before any changes are made to the practice of on-selling gas and electricity.

We look forward to continuing our dialogue regarding the key recommendations outlined in our submission.

Yours sincerely,

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