

Department of State Growth

OFFICE OF ENERGY PLANNING

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Mr John Pierce
Chair
Australian Energy Market Commission
PO BOX A2449
Sydney South NSW 1235

Attention Sherine Al Shallah

Stand-alone power systems (EMO0037)

Dear Mr Pierce

The Department of State Growth is pleased to provide feedback on some of the issues raised in the review of the regulatory frameworks for stand-alone power systems (SAPS).

The Department supports a regulatory framework that will facilitate the ability for Distribution Network Service Providers (DNSPs) to transition customers who are currently grid supplied to a SAPS, and facilitate SAPS for new connections instead of grid connection, where it is economically more efficient to do so.

The Department supports the inclusion of opt-in provisions, which would allow each jurisdiction to adopt the national SAPS framework/s at an appropriate time on a regional or distribution area basis. It will be important that the ability to opt-in to a DNSP-led SAPS framework is distinct from third-party led SAPS frameworks. The key objective is to ensure that the outcome delivers lowest cost while also meeting customer expectations of reliability of supply, and there may be regional variations that impact on the best mechanism to meet this objective. The Department welcomes the initial focus on establishing a DNSP-led framework.

In addition, the point-in-time chosen by a jurisdiction to opt-in should also include the ability to exclude any legacy SAPS irrespective of whether or not a jurisdictional framework applies.

The Department acknowledges that obtaining customer consent may present difficulties, and believes that, to the largest extent possible, the customer experience should be the same regardless of whether the customer is grid supplied or supplied through a SAPS (excluding legacy SAPS). The Department considers that if the customer experience is the same, this may obviate the need for customer consent. This would avoid the issue of whether or not the customer has been fully informed and understood the implications of the decision, and the possibility that a SAPS transition could be held up even though it is a more economically efficient way of delivering the same level of service.

As a DNSP-led transition is not customer initiated, the customer should not experience any decline in customer protections or service levels, and where possible should retain access to their retailer of

choice. At a minimum, where regulated pricing exists customers should retain access to regulated prices.

There would be no need for customer right of reconnection provisions under an approach where the customer experience is the same, regardless of whether receiving supply from the grid or from a SAPS. This would avoid the possibility of increased costs associated with either maintaining otherwise redundant network infrastructure or re-instating network connection assets.

In regard to new connection requests, it could be beneficial for DNSPs to have flexibility to assess the most appropriate supply solution, whether that be through grid connection or a SAPS. Similar to existing arrangements for new connections, it would be reasonable for a customer to make a capital contribution toward facilitating supply. By allowing the most efficient supply solution, this may mean that capital contribution would also be kept to a minimum.

The cost-effectiveness of SAPS is continually improving, largely reflecting continued improvement and cost reductions in technologies such as solar and batteries. It is important that regulatory frameworks recognise these changes and allow for the most efficient provision of electricity supply services to consumers. Ultimately this should result in improved price outcomes for all consumers. As such, the Department is strongly supportive of moving to a regulatory framework that provides DNSPs with the flexibility to service customers either through grid connection or through SAPS supply. A crucial aspect of providing this flexibility will be to ensure the same level of customer experience, to the greatest extent possible, regardless of how supply is received. This is what is important from a customer perspective.

Whilst the Department is supportive of implementing an appropriate DNSP-led SAPS framework, the issue of third party led SAPS will require further consideration (as per the staged approach to the review). This reflects the further complexities associated with third-party led SAPS where factors other than what is most economically efficient may be the key driver.

If you wish to discuss any aspect of this submission, or any other SAPS issue, please contact Sharon Raymond (sharon.raymond@stategrowth.tas.gov.au) or by phone on (03) 6166 3489.

Yours sincerely



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