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

Via online submission

Dear Mr Pierce,

RE EMO0037 – REVIEW OF THE REGULATORY FRAMEWORKS FOR STAND-ALONE POWER SYSTEMS

TasNetworks welcomes the opportunity to make a submission to the Australian Energy Market Commission (**AEMC**) on the Review of the Regulatory Frameworks for Stand-Alone Power Systems (**SAPS**) issues paper.

As the Transmission Network Service Provider (**TNSP**), Distribution Network Service Provider (**DNSP**) and jurisdictional planner in Tasmania, TasNetworks is focused on delivering safe and reliable electricity network services while achieving the lowest sustainable prices for Tasmanian customers. This requires the prudent, safe and efficient management and development of the Tasmanian power system. In this regard, TasNetworks is supportive of AEMC's efforts to review SAPS regulation so that these systems can be legitimately considered as an alternative to grid connection.

TasNetworks operates a low density distribution network, with a number of long radial feeders in remote, bushfire prone areas. SAPS therefore represent a powerful option for improving security and reliability outcomes as well as reducing costs for all Tasmanian customers. In this respect, TasNetworks considers that existing DNSP obligations for grid-connected customers, in terms of reliability, security, and safety of supply, should be replicated for SAPS customers where possible. Moreover, TasNetworks considers it crucial that early, consistent and transparent engagement with customers occurs to provide confidence that SAPS decisions will be made in the best interests of all customers.

TasNetworks supports Energy Networks Australia's (**ENA**) SAPS submission but would like to make several further comments with a particular focus on the Tasmanian context. The key points in this submission are:

- DNSPs are currently obliged to efficiently deliver network *services* to customers, rather than simply operate pre-defined classes of *assets*. TasNetworks supports retention of these arrangements going forward, with customer consent not required for the implementation of DNSP-led SAPS solutions.

- In order to best support customer transition to a SAPS solution, TasNetworks considers it vital that appropriate customer engagement occurs. Ideally, this would take place in line with established and trusted protocols such as TasNetworks' Customer Engagement Framework (**CEF**).
- Such engagement would obviate having to make any changes to the existing Regulatory Investment Test for Distribution (**RIT-D**) framework. Instead, enhanced Distribution Annual Planning Report (**DAPR**) information provision will help provide greater confidence to customers that SAPS represent a viable and consistent service experience when compared to grid connection.
- In order to unlock and protect the economic benefits that might accrue from SAPS installations, consistency between SAPS disconnection and reconnection provisions must apply.
- Given the technological differences between SAPS and grid connections, there may well be instances where DNSP ownership and operation of behind the meter SAPS assets makes economic sense.
- TasNetworks supports a bespoke mechanism for allowing jurisdictions to decide when, and on what basis, a national SAPS framework should come into effect.
- Granting flexibility to individual jurisdictions to determine the appropriate timing for any change in contestability settings is also likely to result in more nuanced and considered customer outcomes. This could be supplemented where appropriate with service classification guideline decisions by the AER.
- To avoid any adverse technical network impacts, and minimise cross subsidisation of grid-connected customers, TasNetworks considers that existing DNSP obligations concerning the safety and security of network supply should reasonably apply in deciding how to implement third party SAPS.
- Regardless of whether community initiated or developer-led, third party SAPS standards should be same as DNSP-led SAPS. The risk is that without this protection SAPS customer outcomes will be worse than with their grid-connected counterparts.
- Finally, to ensure that consistent regulatory treatment of various SAPS initiatives occurs, TasNetworks suggests that the scope of the consultation be widened to include further consideration of situations where SAPS are used to support existing grid connections, e.g. to enhance reliability and safety standards via islanding.

TasNetworks responses to individual questions are provided below and we welcome the opportunity to discuss this submission further with you. Should you have any questions, please contact Bradley Woods, Acting Team Leader NEM Strategy and Compliance, by phone on (03) 6271 6187 or via email (bradley.woods@tasnetworks.com.au).

Yours sincerely,

Wayne Tucker

General Manager Strategic Asset Management

QUESTION 1: JURISDICTIONAL OPT-IN PROVISIONS

Should the arrangements supporting the transition to off-grid supply include an explicit mechanism to enable jurisdictions to determine when the national framework for SAPS would come into effect for DNSPs in their jurisdiction? Should this mechanism provide jurisdictions with the flexibility to opt-in to the national framework on a more bespoke basis e.g. on a regional or distribution area basis, rather than state or territory wide?

TasNetworks supports a bespoke mechanism for allowing jurisdictions to decide when, and on what basis, a national SAPS framework would come into effect for DNSPs in their region. There are already several different jurisdictional frameworks for SAPS with each at a differing level of maturity. It would thus be easier for some jurisdictions rather than others to make the move to a national SAPS framework. Allowing time and flexibility in how this transition occurs is therefore crucial to ensuring customers are fully engaged, informed and supported in what will be a significant change to the National Electricity Market (**NEM**).

This flexibility should extend to consideration of the retention of current jurisdictional arrangements for existing SAPS installations. Mandating transition to a new national framework that may incorporate increased technical standards, and costs for remediation, would not be equitable for existing customers. Allowing jurisdictions to make these assessments, including grandfathering arrangements for existing SAPS arrangements, would be one way to manage these concerns.

QUESTION 2: EFFICIENCY PRE-CONDITION

Is the RIT-D and supporting consultation process appropriate in the context of SAPS, including in respect of the different models of SAPS supply (that is, microgrids and IPS)? To ensure they remain fit-for-purpose in the context of SAPS, what (if any) amendments may be required to:

- **the RIT-D test (including to the classes of market benefits and costs)**
- **the RIT-D consultation process and information requirements (including in relation to the non-networks options report), and**
- **the AER's application guidelines?**

Is there a need to develop a light handed, targeted test to apply where the RIT-D is either not applicable or not proportionate? What might this test and/or assessment process look like?

TasNetworks considers that no change to the existing RIT-D framework is necessary to support SAPS. Moreover, lowering the thresholds at which a RIT-D might apply, or developing an alternative targeted test to SAPS, is unlikely to benefit customers. For example, in Tasmania, implementation of SAPS are likely to be bespoke, small-scale projects. The cost in time and resourcing required to apply a RIT-D to these projects would be prohibitive likely meaning these projects could not be undertaken. Beyond depriving specific SAPS customers of an alternative supply solution, it would be to the detriment of all customers in failing to reduce overall network costs and unlock the full economic potential that SAPS represent.

With that said, TasNetworks considers it critical that early, consistent and transparent customer engagement occurs with any SAPS implementation. In this regard, TasNetworks is committed to ensuring that customers impacted by DNSP-led SAPS will be engaged in a manner consistent with TasNetworks Customer Engagement Framework (**CEF**). Leveraging current frameworks, appropriate identification of proposed SAPS areas should be reflected as part of, and in line with, Distribution Annual Planning Report (**DAPR**) obligations. Beyond this, and in those cases where larger SAPS installations exceed the RIT-D threshold, TasNetworks considers that application of a RIT-D would be appropriate. In these instances, the strength of the efficiency argument presented above is weakened and the robust, transparent and consultative project evaluation afforded by the RIT-D is desirable.

QUESTION 3: CONSUMER CONSENT PROVISIONS

Is a requirement for customer consent necessary? If existing consumer protections can be maintained for SAPS customers, is consent necessary? If so, should this be based on a unanimous or majority consent model? What are the implications and issues associated with each model? Are

customers equipped to make informed decisions, particularly with respect to understanding what they are agreeing to in terms of reliability and security, and potentially price, outcomes? Should explicit informed consent be required before DNSPs transition customers from the grid to supply via a SAPS? Where consent is considered appropriate, could incentives be offered by DNSPs to secure the consent of affected customers? What might these be (and could the benefits of a SAPS be shared)? What alternative mechanism(s) could be used to ensure the long-term interests of affected customers are met?

TasNetworks supports a DNSP-led SAPS model which is consistent with our stated customer strategy pillar - 'we care for our customers and make their experience easier'. In this respect, and where possible, a service model which mirrors the existing arrangements for grid connected customers, but for SAPS customers, is preferred. At the current time, so long as reliability, security and safety standards are met, customer consent is not required for DNSPs to effectively and efficiently manage the distribution network. That is, networks are obliged to efficiently deliver network *services* to customers, not simply operate pre-defined classes of *assets*. TasNetworks contends that these arrangements should be retained going forward, with customer consent not required for DNSP-led SAPS solutions.

Beyond the consistency with existing frameworks, such an approach would obviate the major disadvantages with consent provisions. That is, situations where a minority could negate the benefits to all customers from reduced network expenditure resulting from economically efficient SAPS implementations.

Despite this sentiment, in order to best support customer transition to a SAPS solution, TasNetworks considers it vital that early, consistent and transparent customer engagement occurs. As above, TasNetworks sees that SAPS opportunities should be clearly and transparently identified as a first step in the DAPR. A more bespoke assessment, including specific engagement with SAPS customers on the benefits, technological underpinnings and impacts of SAPS installations would complement this. Ideally, this would occur in line with an established and trusted engagement framework such as TasNetworks' CEF. Combining this with the existing rules framework, including the various economic incentives schemes[1], and incorporating use of the RIT-D where appropriate, would promote an efficient, economic and customer centric SAPS framework.

QUESTION 4: REGULATORY OVERSIGHT ROLE

Is there a need to incorporate a formal oversight and/or approval role by the AER (or other appropriate body) in relation to the transition arrangements for DNSP-led SAPS? Who would be best placed to perform such a role? If the AER is the appropriate body, what additional benefits might be provided by giving the AER additional powers in relation to SAPS, given it is already responsible for monitoring, investigating and enforcing compliance with various aspects of the energy laws and rules?

Consistent with the answer to the foregoing question, TasNetworks considers that existing regulatory arrangements should be retained in relation to SAPS wherever possible. Additional regulatory oversight specific to SAPs is unlikely to be required given current customer protections, engagement frameworks and mandated service standards. Moreover, it would likely only serve to slow down SAPS implementations and increase the expense with doing so. Neither of these consequences are in the long-term interests of customers.

On a related regulatory matter, TasNetworks notes that the scope of the SAPS consultation speaks only to microgrids and individual power systems. But it would not seem to cover those cases where SAPS are used as a back up to grid supply in order to support community reliability and safety standards. Strahan, in Tasmania, is one such example and there is currently another SAPS installation being considered to support improved reliability on the Tasman peninsula at Nubeena. TasNetworks

[1] The Demand Management Incentive Scheme (**DMIS**), the Efficiency Benefits Sharing Scheme (**EBSS**) and the Capital Expenditure Sharing Scheme (**CESS**).

suggests that further consideration of these arrangements be included as the consultation progresses to ensure that consistent regulatory treatment of various SAPS initiatives results.

QUESTION 5: GRID-CONNECTION PRECONDITION

Should new customers or developments without an existing grid-connection be eligible for SAPS provision facilitated by a DNSP? Why or why not? Would new customers always have a financial incentive to obtain SAPS from the competitive market? Could implementation of a SAPS for a new customer or group of customers by a DNSP result in network savings? Would enabling DNSPs to consider and potentially implement a SAPS solution as an efficient alternative to grid connection for new customers damage the competitive market for SAPS? In answering this question, consider new customers located in remote areas where a competitive market for SAPS may not be established. What are the potential issues associated with DNSP obligations to connect where SAPS are regulated under the national framework?

TasNetworks understands the first question above to relate to those situations where a new development does not have an existing grid-connection but is eligible for one. In this case, TasNetworks considers that a DNSP-led SAPS solution should be an eligible option for both new customers and new developments. If all applicable standards can be maintained with the SAPS implementation, then all customers will benefit via reduced network expenses.

In other situations where there is no potential for an eligible existing grid-connection, and/or there is no obligation on DNSPs to provide one, TasNetworks considers that competition in SAPS provision would be appropriate. Notwithstanding such support, in those areas where competition is immature and/or unlikely to develop further, there is a risk that no SAPS service offering would be provided to customers at all. In these cases, TasNetworks suggests that allowing DNSPs to proffer solutions on a negotiated basis should be considered.

QUESTION 6: RIGHT OF RECONNECTION

Should existing reconnection rights apply unchanged to DNSP-SAPS customers wishing to seek reconnection to the grid? Alternatively, should the SAPS arrangements include special rights for DNSP-SAPS customers seeking to reconnect/revert? Should the reconnection rights of DNSP-SAPS customers who have provided consent (where applicable), or new customers, differ from the rights of customers who have not provided their consent to be moved? What might a "return to grid process", including charges, look like for DNSP-SAPS customers? Would a mechanism need to be designed to avoid any potential to burden other customers with the costs of reconnection?

In order to unlock and protect the economic benefits that might accrue from SAPS installations, consistency between SAPS disconnection and reconnection provisions must apply. For example, there would seem to be little value, and considerable cost to all customers, in having a DNSP led SAPS implemented only to have a grid connection having to be forcibly re-established due to a difference in the regulatory treatment of disconnection and reconnection rights. For this reason, TasNetworks considers that reconnection decisions, as with SAPS implementation decisions, should ultimately be the purview of DNSPs. Where it is economically feasible and of benefit to all customers to reconnect a SAPS, DNSPs will do so. Where it is not, proponents for reconnection should bear the costs to avoid any cross subsidy to existing grid-connected customers. As above, however, it is imperative that open and robust customer consultation occurs to ensure customer views and perspectives are fully understood and incorporated into the reconnection decision.

QUESTION 7: DEFINING THE SAPS SYSTEM SERVICE(S)

Should the national framework be designed around one model of SAPS service provision which could accommodate various circumstances? What might this model look like? If the answer to the previous question is no, should this review focus on establishing a framework that allows DNSPs to pursue a variety of approaches to SAPS service provision, depending on the circumstances at hand? Why or why not? In what circumstances (if any) might it be appropriate for a DNSP to own/operate a vertically integrated SAPS solution? When (that is, at what stage point in the process) would contestability in the provision of SAPS be tested and by who?

TasNetworks considers that a framework which allows DNSPs to pursue a variety of approaches to SAPS service provision is preferable. As indicated above, current jurisdictional frameworks and the

ability for DNSPs to support and implement SAPS are at different stages of maturity. Mandating one model of SAPS service provision on all DNSPs is therefore unlikely to benefit all customers, in all jurisdictions, to the same degree. In this respect, there are likely to be circumstances where it is appropriate for DNSPs to own and operate a vertically integrated SAPS, e.g. where competition is inchoate and unlikely to develop further. Granting flexibility to individual jurisdictions to determine the appropriate timing for any change in contestability settings is also likely to result in more nuanced and considered customer outcomes. This could be supplemented, where appropriate, with service classification guideline decisions by the AER.

QUESTION 8: ROLE OF THE DISTRIBUTOR

Are the issues identified in the contestability of energy services rule change applicable in the context of SAPS? Is it necessary and appropriate to restrict the ability for DNSPs to earn a regulated return on behind-the-meter and/or in-front-of-the-meter assets specifically associated with the provision of SAPS? Why or why not? In what circumstances (if any) might it be appropriate for a DNSP to own/operate a vertically integrated SAPS solution (that is, to seek an exemption (where relevant) from restrictions on asset ownership)?

As indicated above, where possible, TasNetworks considers that existing frameworks should be similar for grid-connected and SAPS customers. One possible exception to this sentiment concerns the treatment of behind the meter and in front of meter assets. Given the technological differences between SAPS and grid connections, there may well be instances where DNSP ownership and operation of behind the meter SAPS assets makes economic sense. Similarly, as indicated above, in those areas where competition is immature and/or unlikely to develop further, there is a risk that no SAPS service offering would be provided to customers. In these cases, it would be appropriate for DNSPs to own and operate a vertically integrated SAPS.

TasNetworks urges the AEMC to draw pragmatic lessons from recent experiences associated with the introduction of competition in the metering rule change when considering the competitive provision of SAPS services. Customer outcomes have deteriorated substantially with the moves to a competitive market model to the point that new regulation is being mooted to mandate service standards and meter installation timeframes. To avoid a repeat with SAPS, it would be unwise to place restrictions on DNSP asset ownership in order to simply provide customers with what they desire. Instead, allowing DNSPs the flexibility to own and operate assets, and include them in the Regulated Asset Base (**RAB**) as part of the most efficient solution, would seem prudent.

TasNetworks notes that effective safeguards on the supply and ownership of such assets are provided by the ring fencing obligations. This includes provisioning for appropriate cost allocation, the sharing of staff and resources along with exemption classifications. TasNetworks considers that these represent adequate protections against any market impact concern.

QUESTION 9: PROVISION OF RETAIL SERVICES

Is it likely to be feasible to design arrangements to provide SAPS customers with access to retail competition? What might these arrangements look like? What specific retail services would need to be provided to customers supplied via a SAPS model of supply? Is there a need for a separate retailer role (distinct from the provision of other services) within the SAPS model of supply? Why/why not? Should retail services be managed by an authorised retailer?

As indicated above, TasNetworks considers that the framework for grid-connected and SAPS customers should be similar as possible where possible. In principle, for Tasmania, this would mean TasNetworks recovering its standard network charges in line with current jurisdictional arrangements.

QUESTION 10: OTHER ROLES/RESPONSIBILITIES SPECIFIC TO STAND-ALONE POWER SYSTEM PROVISION

Who are the key stakeholders within a SAPS model of supply (other than the DNSP and the retailer) and, specifically, what would be their key roles and responsibilities?

Other relevant stakeholders might reasonably include the following, with roles and responsibilities determined by existing and proposed legislative settings:

- regulators (national and jurisdictional),
- electrical contractors and SAPS installers,
- equipment manufacturers and repairers, and
- community groups and councils.

QUESTION 11: TREATMENT OF EXISTING MARKET PARTICIPANTS

Which existing market participants (if any) may be impacted by a DNSP's decision to transition a customer (or group of customers) to a SAPS model of supply? Should DNSPs be required to consider the impact of transitioning a customer (or group of customers) to a SAPS on these participants? Why or why not? Via what mechanism? Is it necessary to put in place special arrangements for market participants, including embedded generators or retailers, who may be affected by a DNSP's decision to transition customers to a SAPS model of supply? What might these arrangements involve?

Consistent with customer treatment, TasNetworks does not consider that any extra special regulatory arrangements arising from SAPS installations are necessary for existing market participants. Instead, early, robust and transparent engagement with participants that may be affected by a SAPS implementation is preferred. This will help ensure that any proposed SAPS solution benefits all parties. For example, understanding the impacts on export options for embedded generators and the effects of any Virtual Power Plant (**VPP**) setup within a SAPS will change how the SAPS could, and should, be configured.

QUESTION 12: ROLES OF AEMO AND THE AER

What role could/should the AEMO play within the framework for SAPS provision by a DNSP? What role could/should the AER play within the framework for SAPS provision by a DNSP?

TasNetworks considers that the role of the AER would be unchanged within the SAPS framework. For example, in reviewing annual DAPRs the AER will continue to provide appropriate oversight of distribution developments. However, AEMO's role is much less clear. Existing SAPS, such as those installed on the Bass Strait Islands (**BSI**), are not considered to be part of the NEM. If this treatment is extended to new SAPS, it would seem that further consultation would be required as to what role, if any, that AEMO could and should play.

QUESTION 13: RETAIL PRICE PROTECTIONS

If retail competition is not possible in SAPS, what alternative protections may be appropriate (e.g. retail price controls) for customers receiving supply via SAPS? Would applying the pricing condition from the AER's retail exempt selling guideline to not charge more than the standing offer price that would be charged by the local retailer be appropriate for SAPS, if retail competition does not apply? Is there an alternative price control that would be more appropriate? In the areas that currently have price regulation, is extending that price regulation to customers in SAPS an appropriate approach?

As with previous questions, TasNetworks contends that existing jurisdictional arrangements for grid-connected customers should apply for SAPS customers where possible. This includes existing retail pricing arrangements.

QUESTION 14: OTHER NATIONAL ENERGY-SPECIFIC CONSUMER PROTECTIONS

The Commission has suggested a general principle that energy-specific consumer protections for customers being supplied via a DNSP-led SAPS should be equivalent to those for grid-connected customers. Are there any significant provisions that wouldn't apply, or would require amendment for customers under a DNSP-led SAPS model of supply?

In principle, TasNetworks agrees with the AEMC's position. In practice, there may be some circumstances where this cannot be applied or where it would make better economic sense to allow more flexibility with specific SAPS provisions. For example, given the technological differences

between SAPS and grid connections, there may well be instances where DNSP ownership and operation of behind the meter SAPS assets is desirable.

QUESTION 15: CONSUMER PROTECTIONS SPECIFIC TO SAPS CUSTOMERS

Are there any additional consumer protections that may be necessary for SAPS customers? In relation to detailed product information for the SAPS, what are the minimum provisions that should apply (if any)?

TasNetworks considers that, in principle, existing customer provisions and product information would seem to be adequate at the current juncture. However, as the consultation progresses, and other issues are identified, there may be a need to weigh additional considerations. TasNetworks will respond to these issues as and when they arise.

QUESTION 16: OPTIONS FOR PROVIDING ELECTRICITY-SPECIFIC CONSUMER PROTECTIONS

To provide equivalent protections for consumers receiving electricity supply via SAPS is the most efficient approach to amend the jurisdictional Acts adopting the NERL, as well as amending the NERL and NERR? Is there an alternative approach which may be more effective?

TasNetworks does not see that there is an alternative approach to those considered. The NER and NERR will have to be changed if SAPS are to be implemented. Depending on what these changes are, the requirement for additional jurisdictional changes may also be required. Retaining flexibility to allow jurisdictions to review the resulting national framework and implement any required jurisdictional considerations will allow for more nuanced and balanced customer outcomes.

QUESTION 17: RELIABILITY, SECURITY AND QUALITY

What reliability, security and quality standards are appropriate for DNSP-led SAPS? Should the same reliability and service quality levels apply as for grid-connected customers? Are there any existing network reliability, security and quality standards that would be difficult to comply with for SAPS? For example SAIDI and SAIFI requirements may have equivalent principles, but the practice for determining them may be different in SAPS. Should GSLs be determined for DNSP-led SAPS? If so, should the same standards apply as for grid-connected customers (why/why not)?

TasNetworks considers that the existing reliability, security and quality standards should be retained and applied to SAPS where possible. Aside from avoiding any extra regulatory and administrative burden with the implementation of SAPS rules, it will provide customers with enhanced confidence that SAPS represent a viable and consistent service experience when compared to grid connections.

As noted in the consultation paper, there may be changes required to the practical aspects of how existing standards are reflected under a SAPS framework. TasNetworks will respond to these issues as they are identified in greater detail as the consultation progresses.

QUESTION 18: OTHER JURISDICTIONAL CONSUMER PROTECTION CONSIDERATIONS

Are the other jurisdictional issues presented in section 5.6 less likely to be a concern for DNSP-led SAPS (why/why not)? Should any of these issues be examined in greater detail in relation to DNSP-led SAPS?

TasNetworks considers these questions are best answered by the applicable jurisdictional regulator(s) and has no further commentary at this time.

QUESTION 19: THIRD PARTY STAND-ALONE POWER SYSTEMS – DECISION MAKING FRAMEWORK

Which party should make the decision to transition customers to a SAPS and which party/ies should approve the decision? What should be the grounds for deciding to transition customers to a third party SAPS? Which mechanisms should be employed to seek approval and/or consent? If the consent of transitioned customers is sought, what is the proportion of customers that should provide their consent? Should consent factors be defined, and what should they be? Should transitioned customers, either individually or collectively (in the case of a microgrid), retain the right to reconnect to the grid?

In those cases where existing grid-connected customers are approached by a third party to be moved to a SAPS solution, or where a community requests the DNSP install a SAPS solution, TasNetworks contends that considerations consistent with current obligations need to be reflected. That is, by acting in their existing role to address network security, safety and reliability concerns, DNSPs should decide how third party SAPS may be best implemented. This is so any adverse technical network impacts resulting from the proposed SAPS can be avoided and remaining grid-connected customers are not left paying more. For example, it would not be in the broader customer interest if, as the result of a third party SAPS installation, network remediation was required but was not funded by the third party SAPS proponents. In this case, the remaining network customers would cross subsidise the new SAPS customers which would be inequitable.

Consistent with earlier statements, robust and clear engagement with customers and third party SAPS proponents should be encouraged to allow a customer centric solution to develop. For instance, in the scenario described, it may well be that SAPS proponents negotiate to pay for any additional remediation required, thus removing the cross subsidy to existing network customers.

Regardless of whether community initiated or developer-led, TasNetworks considers that third party SAPS should be held to the same standards as DNSP-led SAPS. This includes reliability, security and quality standards along with customer protections and incentive schemes. This is so a level field in service provision is created. The risk is that without this protection SAPS customer outcomes will be worse than their grid-connected counterparts. For example, it should be a requirement that third parties possess the necessary capability to support SAPS in remote areas of Tasmania, particularly, in relation to the timely restoration of supply in the event of an outage.

Alternatively, if it is decided that third party SAPS could allow for lower standards of service, then the same freedom should be extended to DNSPs. That is, where customers are willing to sacrifice service quality to obtain a cheaper third party SAPS solution, the DNSP should be able to also tender for the service on a negotiated basis, without being hamstrung by existing service standards.

In terms of reconnection provisions, TasNetworks considers that this should reflect the disconnection arrangements. DNSPs should continue to play their current roles in terms of the efficient delivery of network services, including deciding on optimal grid-connection and reconnection options. As highlighted above, it would not be in any customer interests were a third party SAPS installed and perform so poorly that forcible grid re-connection via the DNSP was mandated.

QUESTION 20: THIRD PARTY STAND-ALONE POWER SYSTEMS – ASSET TRANSFER AND STRANDED ASSETS

Is there a role for the AER, jurisdictional regulator or other body in setting or approving asset values and pricing methodologies as a result of the transfer? How should asset transfers be treated in the DNSP RAB? How should stranded assets be treated in the DNSP RAB? Should corresponding fees be charged to the transitioned customers and customers left behind on the grid? Is a dispute resolution framework design required for asset transfer and stranded assets? What are the key elements of the design?

TasNetworks considers that a consistent and transparent valuation methodology for transitioned and stranded assets will need to be developed. This is important to ensure that DNSPs' RABs are appropriately and fairly valued post any third party SAPS asset transition. It is also important so that stranded asset provisions do not operate on a retrospective basis and change the risk profile of the network without appropriate cost recovery or compensation arrangements in place. Beyond this, the administrative burden from such an undertaking should be minimised. For example, in avoiding disputes about valuations and negating any bespoke or time consuming negotiation being required which would ultimately increase costs for all concerned.

In this respect, it would seem prudent to leverage existing negotiation frameworks and protocols in determining how this occurs in the most efficient manner. Outside of this, TasNetworks suggests

further consultation on this issue between DNSPs, AEMC, AER and jurisdictional regulators will promote an efficient, equitable and effective framework for considering asset valuations.