

8 August 2019

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Dear John

### **Draft Report: Priority 2 Stand-alone Power Systems Review**

AusNet Services is pleased to have the opportunity to make this submission in response to the Commission's draft report on the priority 2 of the Stand-alone Power System (SAPS) review.

The draft report proposes a three-tiered regulatory framework for third party Stand-alone Power System (SAPS) and seeks to provide consumer protections while avoiding unnecessary costs, avoiding a "one-size-fits-all" approach. The regulatory framework for large SAPS, category 1, is consistent as far as possible with the DNSP led stand-alone power systems.

AusNet Services supports, in principle, the three tiered regulatory framework as being in the best interest of local communities who seek to become fully renewable and independent of the interconnected network and all customers in general. This framework will provide much needed direction and certainty in support of renewable energy proponents, and even more importantly provide a regulatory context for safety requirements.

However, in recommending an exemption framework for small mini-grids, the Commission appears to be ignoring one of the key learnings from the embedded network review on deemed exemptions. That is, it is difficult to regulate what a regulator does not know about. The proposed jurisdictional exemption framework for small mini-grids would include registration of each community energy project, but it would not require a central register of third party SAPS mini-grids or ongoing reporting obligations. Not only is regulatory oversight essential in providing a minimum set of consumer protection for mini-grid customers, it is critical to ensure public safety.

However, we are supportive of the proposed approach to safety for Individual Power Systems for individual customers.

Our submission responds to these matters where our experience may help guide the Commission's position and also comments on the absence of consideration for asset stranding provisions in the draft report.

### **Safety**

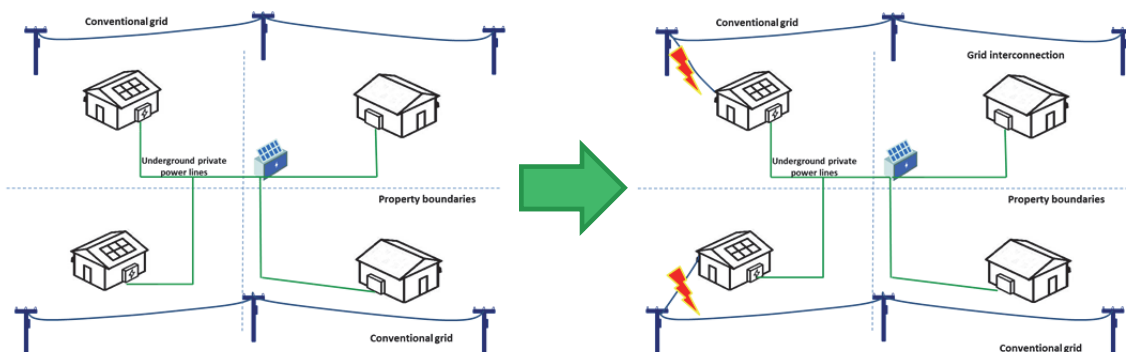
Safety is the most important aspect of power system and electricity distribution regulation. Applying a jurisdictional exemption framework for category 3 (and to a lesser extent category 2), mini-grids would allow mini-grids to operate without obligations to:

- make a fulsome registration of the proposed mini-grid;
- report on changes to registered mini-grids including new connections to the mini-grid; and
- identify live electrical distribution assets to relevant authorities and the local DNSP.

These obligations would be essential to provide relevant authorities adequate oversight of mini-grids.

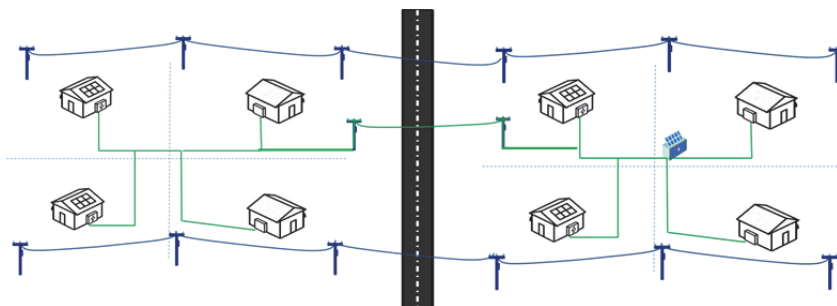
Critical to ensuring safety is creating a culture of safety focus all through the energy supply chain. However, the proposed exemption framework for category 3 mini-grid could have the opposite effect. AusNet Services is concerned that messaging to promote mini-grids may encourage customers to think they have a right to have their own electricity distribution line to their neighbours' premises, for example as characterised by an "extension lead over the back fence".

Having third party electrical distribution assets not visible to the local DNSP creates a range of hazards. Shown in the below diagram is an example of a particularly dangerous hazard that could occur if the local DNSP does not know about the mini-grid and the customers did not identify the third party mini-grid. Two customers connected to a mini-grid could both connect to the DNSP's interconnected network at the same time causing a phase to phase fault.



Additionally, maintaining effective "dial before you dig" services is essential service to keep the public safe from avoidable electrical hazards. There is a risk that an exemption framework will not maintain enduring obligations on SAPS mini-grid providers to provide "dial before you dig" services.

Over time new customers are likely to connect to existing mini-grids resulting in organic growth. Without adequate reporting and obligations to provide updated asset information to relevant authorities, new risks such as unreported road crossings may arise. This is illustrated below. Mini-grid assets crossing public infrastructure must be safely maintained and local DNSP staff must be informed of mini-grid assets. In an emergency, local DNSP staff may be requested by authorities to attend and 'make safe' damaged live assets. Without a proper understanding of these assets, our staff may mistake them for local DNSP assets and be put in danger during the course of their normal duties.



Mitigating these risks would require a robust safety framework for mini-grids. All mini-grids would need to be reported to the regulators and to the network staff of the licenced DNSP for the area. Therefore, we caution against the adaptation of any exemption framework for mini-grids.

Finally, jurisdictional electricity safety legislation prohibits the unlicensed distribution of electricity, hence category 3 and category 2 mini-grids would not currently be allowed. However, there may be merit in jurisdictional safety regulators establishing energy safety management schemes for category 2 mini-grids. In order for this to occur, changes to jurisdictional legislation would be required.

### **Exemption framework limited to individual power systems**

In addition to our safety concerns, we also consider a regulatory framework for mini-grids based on an exemption framework will result in poor customer protection outcomes. Irrespective of the size of the community energy mini-grid, customers' would not have the ability to negotiate fair and reasonable terms with a party capable of withholding supply at the connection point.

For that reason and the above safety concerns, we recommend that SAPS category 3 must be solely reserved for Individual Power Systems in order to provide minimum levels of customer protections to energy purchasers and community safety protections.

### **Risk of asset stranding**

The final report of the DNSP-led SAPS framework recognised the need to avoid or otherwise pay for stranded assets, in situations where customers' transition to third party SAPS resulting in stranded assets<sup>1</sup>.

AusNet Services' agree with the recommendation that third party SAPS providers pay these costs, except where the customer connection is a basic connection service. It is fair and reasonable that customers or groups of customers should be accountable for network extension costs incurred at their request. During the connection process, the DNSP agrees to pay part of the network extension costs on the assumption of 15 or 30 years of future network revenue. If a small community, after only recently seeking a connection, chooses to go it alone with their own mini-grid, it would not be fair for all other network customers to pay for the revenue shortfall on connection assets.

Notwithstanding safety concerns, we are supportive of the reforms that would enable third party and DNSP led SAPS and look forward to continuing to work with the Commission in the forthcoming rule and law changes.

AusNet Services has contributed to, and supports, the Energy Networks Australia submission.

If you have any queries about any of the positions outlined in this submission, please do not hesitate to contact Justin Betlehem on 03 9695 6288.

Yours sincerely



Greg Hannan  
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<sup>1</sup> AEMC, Final report Review of stand-alone power systems, 30 May 2019, p113