



Ausgrid Submission

AEMC Draft Rule on Regulatory Sandbox Arrangements

February 2020



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Attn: Mr Alex Oeser
Australian Energy Market Commission
PO Box A2449
SYDNEY SOUTH NSW 1235

24-28 Campbell St
Sydney NSW 2000
All mail to
GPO Box 4009
Sydney NSW 2001
T +61 2 131 525
ausgrid.com.au

Lodged online

Ausgrid is pleased to provide this submission to the Australian Energy Market Commission (AEMC) on its Draft Rule and Final Report on the implementation of regulatory sandboxes.

The electricity industry is going through a period of significant change. Like other parts of the energy system, our network and operating model needs to adapt to this new landscape and manage a growing mix of distributed energy resources and other technologies across the grid. Innovation is key to this transition.

There is a risk that our regulatory framework will be slow to adapt to the pace of change and hinder the adoption of new technologies, services and business models that will assist the efficient and equitable transition to a low carbon future. For this reason, we support the implementation of a regulatory sandbox toolkit that will enable innovation and the trial of new technologies and services that will help distribution networks to evolve in line with customer expectations. In providing this support, our submission:

- emphasises the benefits of establishing a new innovation enquiry service
- discusses the need to maintain adequate consumer protections during trials
- suggests there is a need to specify a date by which the trial waiver guidelines are to be made
- outlines our consultation with customer advocates on the draft definition of a 'consumer organisation' for inclusion in the National Electricity Rules (NER).

We shared a draft version of this submission with members of our Customer Consultative Committee (CCC) prior to lodging it. This practice of sharing policy submissions with CCC members is helping us to become a more customer centric organisation. The feedback we received from customer advocates has been incorporated below.

Establishment of innovation enquiry service

We support the establishment of an innovation enquiry service. Having a dedicated channel for innovators to receive guidance is needed so that opportunities for innovation with the potential to deliver reduced prices and better service for customers are not missed.

Of all the tools to be introduced by regulatory sandbox toolkit, the innovation enquiry service is likely to be utilised the most. This underscores the need for it to be appropriately resourced, if it is to succeed in meeting its objectives.

Trial waivers and trail rule changes

We support changes to the NER that formalise the Australian Energy Regulator's (AER) powers to grant waivers or exemptions for trials capable of delivering long-term benefits for customers.

Trials are currently possible under the existing regulatory framework. The AEMC's Final Report into regulatory sandboxes lists several examples that have gone ahead. On our network we are currently collaborating with customer advocates from our Network Innovation Advisory Committee (NIAC) on a number of trials, including for a community battery.

As the pace of change in energy markets accelerates, formal arrangements in the NER for obtaining waivers will establish a clearer regulatory pathway for conducting trials. For similar reasons, we support the introduction of an AEMC trial rule change process.

Consumer protections

The Draft Rule includes eligibility requirements to obtain a trial waiver. Among other things, to grant a waiver the AER must be satisfied that 'adequate consumer protections will be maintained in connection with the trial project'.¹

We support the inclusion of this eligibility requirement. The purpose of a trial is to test emerging technologies and innovative service delivery models. While this experimentation can unlock significant long-term benefits for customers, it can put pressure on the level of consumer protections that are in place.

When this happens, we agree that, as a minimum, 'adequate consumer protections' must be maintained throughout the course of a trial. We also agree that, where it is possible to do so, explicit informed consent must be obtained from trial participants. There may be instances, such as broad-based network trials, that are unlikely to have any direct impact on retail customers. In these instances, it would be inappropriate to seek explicit informed consent from parties who are unaware that the trial is even taking place. Under the draft rules the AER can also specify the 'consumer protection measures that [it] may require as a condition of granting a trial waiver'.²

Timelines for reform

We support the requirement to develop a trial waiver guideline in the Draft Rule and suggest that the AEMC includes a target date for the AER to release its guideline.

The AEMC has done this in the past by specifying a date in Chapter 11 of the NER. For example, the AEMC made clause 11.82.2 of the NER to set a target date for the AER publishing a guideline for the demand management incentive scheme. This approach provides guidance to industry participants about when a guideline can be expected to be made.

In terms of the new trial rule changes process, the Final Report states that the AEMC should take less than 10 weeks and involve one round of stakeholder consultation.³ We support this process but note that it has not been included in the Draft Rule. Our recommendation is that the NER includes either a

¹ Draft rules, clause 8.15.4(a)(5)

² Draft rules, clause 8.14(a)(1)(iii)

³ AEMC, *Final Report: Regulatory Sandbox Arrangements*, 26 September 2019 p. 56

target timeline for trial rule changes or a requirement on the AEMC to publish a timetable setting out this information.

Consumer organisation

We note that the Draft Rule includes an amendment to Chapter 10 of the NER establishing a definition for ‘consumer organisation’.

The *National Electricity Law* already contains a definition for *user or consumer association*.⁴ We do not consider it appropriate to include a slightly different definition of ‘consumer organisation’ in the new rules and agree with the Public Interest Advisory Centre (PIAC) that the draft definition may have a broader scope than intended. The existing definition of *user and consumer association* seems appropriate for use in the trial waiver rules. The AEMC should seek the views of consumer organisations on this point.

If you would like to discuss our submission in more detail, please contact Shannon Moffitt, Senior Regulatory Analyst on 02 9269 2280 or shannon.moffitt@ausgrid.com.au.

Yours sincerely



Iftekhar Omar
Head of Regulation

⁴ Section 71A, *National Electricity Law*



Thank you

