



Clean Energy Council submission to the Essential Services Commission of South Australia Small-scale Networks Inquiry

Executive Summary

The Clean Energy Council (CEC) welcomes the opportunity to provide input to the Framework and Approach Paper for the Essential Services Commission of South Australia (ESCoSA) Small-scale Networks Inquiry.

The CEC is the peak body for the clean energy industry in Australia. We represent and work with hundreds of leading businesses operating in solar, wind, hydro, bioenergy, marine energy, geothermal energy, energy storage, hydrogen and energy efficiency along with more than 6,200 solar installers. We are committed to accelerating the transformation of Australia's energy system to one that is smarter and cleaner.

In this submission the CEC will provide feedback in relation to the regulatory framework for off-grid electricity, which includes individual power systems (IPSs) and microgrids that are not connected to the national interconnected electricity grid. We will not provide feedback on regulatory frameworks for water, sewerage or reticulated gas networks.

The appropriate starting point for the ESCoSA review should be the AEMC *Draft Report of the Review of the Regulatory Frameworks for Stand-Alone Power Systems – Priority 2*.

Based on the recommendations of the AEMC's Draft Report we would encourage ESCoSA to consider the following questions in its review:

- Will ESCoSA adopt the 'tiered framework' to regulation of SAPS in South Australia?
- Will ESCoSA apply a licensing framework or a registered licensing exemptions framework to Category 3 microgrids?
- What threshold will be used to delineate Category 2 and Category 3 microgrids?
- Will the National Energy Customer Framework (NECF) be applied to SAPS in South Australia?
- Will ESCoSA adopt elements of the CEC's accreditation schemes in its licensing framework?
- Will ESCoSA require price transparency and price monitoring for retail and connection charges?
- Will ESCoSA consider extending consumer protections to third-party SAPS customers?
- Will ESCoSA regulate reliability for Category 2 microgrids?
- Will ESCoSA propose service and installation rules for third-party SAPS?
- Will ESCoSA regulate the safety of microgrids over their operating life?

We have provided additional detail on these questions in the remainder of this submission. We would be very happy to discuss these issues in further detail. We look forward to contributing further to this important area for policy development.

Will ESCoSA adopt the ‘tiered framework’ approach?

The AEMC has recommended a ‘tiered framework’ for the regulations of SAPS. ‘Category 2’ and ‘Category 3’ SAPS would be regulated by states and territories.

Category 2 microgrids will range from those supplying smaller towns to those connecting more than a handful of customers. They will generally be vertically integrated.

Category 3 would encompass very small microgrids with a handful of customers, microgrids that only supply large customers and IPSs where there is sale of electricity.

The precise requirements for Category 2 and Category 3 systems would be developed and applied by state governments and regulators.

Will ESCoSA apply a licensing or an exemptions framework to Category 3 microgrids?

The AEMC has recommended that jurisdictions should license Category 2 microgrids, with combined licenses for network, generation and retail activities.

For Category 3 microgrids the AEMC has recommended regulation through jurisdictional registered exemptions or jurisdictional licenses with more limited conditions.

What threshold will be used to delineate Category 2 and Category 3 microgrids?

The AEMC has recommended that jurisdictions should determine the threshold to be used to delineate Category 2 and Category 3 microgrids.

Will the NECF be applied to SAPS in South Australia?

The NECF does not apply to SAPS in South Australia as the National Energy Retail Law (NERL) application act only applies to customers supplied via the “interconnected national electricity system”.

Will ESCoSA adopt elements of the CEC’s accreditation schemes in its licensing framework?

The AEMC *Draft Report of the Review of the Regulatory Frameworks for Stand-Alone Power Systems – Priority 2* has suggested that “jurisdictions may wish to consider ways to continue the Clean Energy Council’s accreditation scheme for installers following the end of the Small-scale Renewable Energy Scheme, and this may involve some form of licensing, either of systems or of installers”. We would be pleased to discuss the details of CEC’s accreditation schemes with ESCoSA and how they might be incorporated into a jurisdictional licensing scheme in future.

Will ESCoSA require price transparency and price monitoring for retail and connection charges?

The AEMC has proposed that to reduce the risk of third-party SAPS providers misusing their monopoly power, some form of price transparency and price monitoring would be required for both retail and connection charges for Category 2 microgrids. The AEMC Draft Report also notes that more prescriptive forms of economic regulation could also be considered, including a requirement for the provider to report on reasons for price changes, regulation specifying permitted reasons for increasing prices or caps on the amount of any price increases. Whichever form of light economic regulation is chosen, the AEMC considers that it would be appropriate for the jurisdiction to monitor compliance with these provisions, and have powers to require the SAPS provider to justify, and potentially revise, prices if a misuse of market power was found to be occurring.

The AEMC considers that it is unlikely that any form of economic regulation is required for Category 3 SAPS.

Will ESCoSA consider extending consumer protections to third-party SAPS customers?

The AEMC *Draft Report of the Review of the Regulatory Frameworks for Stand-Alone Power Systems – Priority 2* has noted that state and territory energy functions complementing the NECF need to be considered to provide a complete set of consumer protections. These functions include access to state and territory concessions and rebates and access to independent dispute resolution for both distribution and retail services.

Consumers in South Australia who move off-grid would currently lose their energy-specific consumer protections under the NECF, even if they are supplied by an authorised retailer.

The AEMC has noted that state-based energy concessions and rebates, and energy ombudsman schemes, remain jurisdictional functions, and it is appropriate that these are extended to some of the categories of third-party SAPS. The CEC agrees that customers should have access to dispute resolution, preferably via jurisdictional energy ombudsman schemes.

Will ESCoSA regulate reliability for Category 2 microgrids?

The AEMC *Draft Report of the Review of the Regulatory Frameworks for Stand-Alone Power Systems – Priority 2* has recommended that each jurisdiction should develop consistent definitions and monitoring and reporting requirements for the reliability of Category 2 microgrids.

Will ESCoSA propose service and installation rules for third-party SAPS?

The AEMC has noted that there would be significant efficiency benefits in jurisdictions developing and publishing a nationally consistent set of service and installation rules for third-party SAPS.

Will ESCoSA regulate the safety of microgrids over their operating life?

The CEC is concerned about the lack of regulation for the ongoing maintenance and safety of microgrids once they have been installed. We recommend that a licensing framework for Category 2 systems and a license exemption framework for Category 3 systems (if that is the approach adopted by ESCoSA) should include provisions to ensure ongoing maintenance and safety is assured.

In its Draft Report the AEMC notes that the existing licensing regime administered by the CEC may fall away with the end of the SRES schemes. The implementation of any new licensing scheme for IPSs or a requirement for installers to continue the application of AS 4509 would be a matter for jurisdictions. Similarly, jurisdictions may also wish to consider supplementing their existing regimes with additional requirements for maintenance and inspection to provide for the safety of installations over their operating life.