



Clean Energy Council submission to the Australian Energy Market Commission's Draft Report: Review of the Regulatory Frameworks for Stand-Alone Power Systems

The Clean Energy Council (CEC) welcomes the Draft Report of the Australian Energy Market Commission (AEMC) Review of the Regulatory Frameworks for Stand-Alone Power Systems (SAPS).

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 and geothermal energy, energy storage and energy efficiency along with more than 6,000 solar installers. We are committed to accelerating the transformation of Australia's energy system to one that is smarter and cleaner.

The CEC supports the Draft Report's recommendations that:

- the National Electricity Law and Rules be amended to remove existing barriers to distribution network service providers (DNSPs) providing SAPS as a regulated service,
- SAPS customers should receive reliability protections equivalent to grid-connected customers,
- new retail price protections will be required if SAPS customers cannot access retail competition,
- consumer protections for SAPS customers should be equivalent to those for grid-connected customers and jurisdictional consumer protections should be extended to them,
- a new set of minimum SAPS project evaluation requirements should be developed to support the competitive testing of potential SAPS solutions for projects that are not subject to the regulatory investment test for distribution (RIT-D),
- DNSPs will not be required to obtain customers' explicit consent and will be required to undertake a comprehensive program of information provision and engagement with affected parties,
- the proposed national framework for SAPS should allow jurisdictions to opt-in.

We welcome the opportunity to provide feedback on the 'NEM consistency model' and the 'integrated service delivery model' for SAPS service delivery. The CEC would welcome further analysis of the benefits, costs and risks of the two models.

It is unclear what benefits, if any, there would be from the 'NEM consistency model' requirement that a retailer for a small microgrid must manage wholesale market risk exposure, given that the retailer's customers on that microgrid would have no connection to the wholesale market. For example, in January 2019 there were a series of very high price events caused by issues in the NEM, including the failure of several coal-fired power stations. It would make no sense for the electricity retailer of a stand-alone power system to be responding to (and potentially made bankrupt by) price events caused by

coal-fired power station failures in the NEM. Exposing SAPS electricity retailers to high price events in the NEM would limit competition and restrict this part of the market to gentailers or highly capitalised companies that can afford the hedges and other risk management strategies necessitated by the risk of price swings in the NEM. In addition, there would be no apparent benefit to exposing SAPS customers to tariffs that may be irrelevant or even counter-productive to efficient SAPS operation.

The 'integrated service delivery model' appears to be better suited to management of independent power systems and small microgrids. We acknowledge that adoption of the 'integrated service delivery model' might necessitate regulation of prices charged to SAPS customers. We note that there are already several proposals by Federal and state governments to reconsider the role for government in regulation of electricity pricing.

We would be very happy to discuss these issues in further detail with the AEMC. We look forward to contributing further to this important area for policy development.