

CEC SUBMISSION TO THE AEMC DRAFT REPORT, 'UPDATING THE REGULATORY FRAMEWORKS FOR DISTRIBUTOR-LED STAND-ALONE POWER SYSTEMS'

Executive Summary

The Clean Energy Council (CEC) welcomes the opportunity to provide feedback on the Draft Report of the Australian Energy Market Commission (AEMC), *Updating the Regulatory Frameworks for Distributor-Led Stand-Alone Power Systems*.

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, geothermal energy, energy storage and energy efficiency along with more than 6,800 solar installers. We are committed to accelerating the transformation of Australia's energy system to one that is smarter and cleaner.

The CEC welcomes the AEMC proposed regulatory framework for distributor-led stand-alone power systems (SAPS). We have strongly supported this reform ever since Western Power submitted its rule change request in September 2016. Prior to that, we also supported consideration of the use of SAPS in bushfire recovery following the 2009 Black Saturday bushfires.

There is one key issue that needs to be urgently addressed by the AEMC, the Council of Australian Governments (COAG) Energy Council, the Australian Energy Regulator (AER), the Australian Energy Market Operator (AEMO), distribution network service providers (DNSPs) and jurisdictional governments, policy makers and regulators:

How can we ensure that there are no regulatory barriers to the use of distributor-led stand-alone power systems in the bushfire recovery in 2020?

The Energy Networks Australia (ENA) Chief Executive Officer, Andrew Dillon, has observed that, "The recent fires have destroyed more than 5,000 power poles across Victoria and NSW and *entire sections of electricity networks are being rebuilt from the ground up*" (emphasis added). It would be tragic if the pace of regulatory reform were to prevent the use of SAPS, which can supply power to bushfire-prone communities more safely, reliably and more cheaply than traditional 'poles and wires' infrastructure.

In this submission we outline some possible options to either expedite the SAPS reforms or to ensure that there are no regulatory barriers to the use of SAPS in bushfire recovery. We understand that the AEMC, the AER, COAG Energy Council, jurisdictional governments and DNSPs all have the potential to play an important role. In this submission we have focused on the options open to the AEMC. We intend to address actions available to other policy makers, regulators and DNSPs through other avenues and processes.

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

Options to expedite the reforms

Options that could expedite the reforms to allow the use of distributor-led SAPS in the bushfire recovery include:

- Bring forward the date for COAG Energy Council consideration,
- Shorten the proposed year-long transitional period, and
- Expedite jurisdictional reforms or proceed in advance of them.

Bring forward COAG Energy Council consideration

Bushfire recover is an urgent and important matter and it should be considered at the 20 March 2020 meeting of the COAG Energy Council. We are concerned that if COAG Energy Council does not consider the reforms at its March 2020 meeting there could be significant delays. The AEMC proposes that COAG Energy Council could consider the reforms as early as May 2020, but it is unclear when COAG Energy Council will next meet after the March 2020 meeting. In recent times, COAG Energy Council meetings have become a once-a-year event.

The CEC will continue to urge Energy Ministers to ensure that COAG Energy Council's meeting schedule does not present unnecessary delays to bushfire recovery efforts. If the SAPS reforms are not considered at the 20 March meeting, then we will be urging out of session approval as a high priority.

Shorten the proposed year-long transitional period

The AEMC Draft Report states, "The Commission intends to present a complete package of rules changes to be delivered to COAG Energy Council in May 2020. Together, the law and rule changes could be approved in mid-2020 and made shortly thereafter. The Commission's recommended framework could then take effect by mid-2021"

We understand that the transitional period is not required by law or regulations and its purpose is to allow industry and the AER time to prepare.

We urge the AEMC to consider whether the transitional period could be shorter.

Expedite jurisdictional reforms

The draft report notes that the distributor-led SAPS framework might require jurisdictional arrangements, such as amending National Electricity Retail Law (NERL) application Acts, in NSW, South Australia and Tasmania. It is our understanding that the need to change the NERL application Acts will not be a significant cause of delay. SA will be passing legislation anyway, and it appears that NSW and Tasmania can make the necessary changes through regulations.

The CEC has written to all jurisdictional Energy Ministers urging them to undertake these and other reforms for use of SAPS and we will work closely with jurisdictions as opportunities arise. It would be pragmatic and, we believe, acceptable to customers if the construction of SAPS in bushfire-affected areas were to proceed concurrently with, or in advance of, amendments to jurisdictional NERL application Acts. Jurisdictions involved in bushfire recover should be allowed, and encouraged, to opt-in to the national framework for distributor-led SAPS in advance of jurisdictional legislative amendments (if necessary), where that would assist with bushfire recovery efforts.

The bottom line is that DNSPs should be allowed to use SAPS where they would be safer, cheaper and more reliable. This would be a pragmatic, common sense approach.

Policy makers and regulators should make every effort to ensure they are not standing in the way of the bushfire recovery. Insisting on a mid-2021 commencement date for SAPS reforms would fail bushfire-affected communities.