



Clean Energy Council submission to the Australian Energy Market Commission Consultation Paper:

Regulatory sandbox arrangements to support proof-of-concept trials

The Clean Energy Council (CEC) welcomes the opportunity to provide feedback on the Australian Energy Market Commission (AEMC) Consultation Paper on regulatory sandbox arrangements to support proof-of concept trials.

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 strongly supports the proposal for regulatory sandbox arrangements to support proof-of-concept trials.

Sweeping changes in technology and consumer expectations are placing new requirements for regulators and policymakers to make well informed decisions that cater to various futures. The CEC understands that while there are a range of technology, process changes and business models which – if trialled – could materially inform market and regulatory approaches, these are not being trialled at a pace which will enable regulations to catch up. As things stand today, the industry is able to see the changes that are coming but does not yet have the settings which would drive them to meet those changes.

Our members advise that a regulatory sandbox for proof of concept trials could support the acceleration of evidence to inform regulatory changes in relation to a range of technology, network, retail and market settings such as VPPs, network price submissions, connection settings and requirements for integration of smart DER, advanced tariff structures (including machine-to-machine tariffs), network contracting settings for customer-owned DER and the challenge of fairly managing the Financially Responsible Market Participant ties to a DER in the context of competitive VPPs.

Evidence from international jurisdictions indicates that the mere existence of regulatory sand-box arrangements *tends to encourage* innovative projects to be proposed. This is important, even in Australia, as distribution businesses and (to a lesser extent) retailers are not incentivised to innovate. While innovation does certainly occur, there is anecdotal evidence from our membership of hurdles to establishing innovative trials that are able to be supported by multiple market participants required to achieve scale.

Key to developing arrangements for proof of concept trials would be the establishment of key principles and requirements to ensure that even with a sand-box arrangement, that the net benefit still protects consumers and provides sufficient data to the AER/AEMC in order to inform policy, regulations and rules.

The use of stand-alone power systems by Western Power and Horizon Power is an example of the need for a regulatory sandbox in the NEM. Proof-of-concept trials for use of microgrids and stand-alone power systems by distribution network service providers (DNSPs) did not take place in the National Electricity Market (NEM) because of the barriers presented by the National Electricity Law (NEL) and National Electricity Rules (NER). Instead, they took place in Western Australia, where the NEL and NER did not present the same barriers to innovation.

It would be far from ideal to have to continue to rely on Western Australia as the source of innovation in the NEM. It would be highly desirable for the AEMC to make provision for enabling innovation within the NEM using regulatory sandbox arrangements.

We would be very happy to discuss these issues in further detail with the AEMC. We look forward to contributing further to this review.