Clean Energy Council submission to QCA: Reliability standards for Energex and Ergon for the 2020-25 period

Executive Summary

The Clean Energy Council (CEC) welcomes the opportunity to provide input to the Queensland Competition Authority (QCA) review of reliability standards for Energex and Ergon Energy for the 2020-25 period.

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.

In future stand-alone power systems will play an increasingly important role in delivery of electricity supply. The Draft Report of the Australian Energy Market Commission (AEMC) Review of the Regulatory Frameworks for Stand-Alone Power Systems (SAPS) recommended:

- 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,
- reliability and consumer protections for SAPS customers should be equivalent to those for grid-connected customers and jurisdictional consumer protections should be extended to them,
- the proposed national framework for SAPS should allow jurisdictions to opt-in.

The CEC supports the AEMC's recommendation that relevant jurisdictional instruments be amended to implement an appropriate regime of energy-specific consumer protections (including reliability standards) for customers served by a microgrid supply. The QCA has an important role to play by establishing reliability standards for SAPs that are at least as high as the equivalent standards for long rural feeders.

We recommend that:

- A Minimum Service Standard (MSS) should be set for SAPs,
- The MSS for SAPs should be at least as high as the standard for a long rural feeder.

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.

Opportunities for significant cost savings

The National Electricity Rules (NER) do not yet permit DNSPs to use SAPs as part of the regulated distribution service. This is expected to change in 2019-20, following rule changes that the AEMC plans to initiate soon. Customers will benefit from this change. SAPs can supply electricity to rural and remote areas more cheaply, reliably and safely than long rural feeders. Moving to SAPs could also offer additional benefits such as reduced bushfire risks.

Remote customers with an existing grid connection have no incentive to move off-grid on their own, as they do not face the full costs of maintaining the network assets, which are spread across all customers. An off-grid solution is only likely to eventuate if undertaken by the DNSP as an economically regulated service.

The total potential savings across the National Electricity Market (NEM) are unknown but would be very significant. Of note are the following estimates of savings from providing off-grid power supply compared to the cost of replacing existing network assets:

- Western Power estimates a net benefit of $388 million from providing off-grid power supply to 2,702 candidates on its network, and
- Essential Energy estimates a $513 million saving from supplying off-grid power to up to 8,430 customers.

Importance of state and territory reliability standards and customer protections

The AEMC has pointed to the importance of extending state and territory reliability standards and consumer protections to ensure that customers supplied by a DNSP-led SAPs will continue to have access to reliable electricity supply. Customers should not be expected to move to SAPs supply unless it is offered to them at a price, and with protections, similar to those for electricity supplied via the national grid.

Setting the standard

CEC members who provide SAPs solutions have expressed confidence in their ability to meet and exceed the reliability standard currently required of long rural feeders in Queensland. There are few sources of published statistics on SAPs performance and reliability in Australia that could serve as a guide to their anticipated reliability. One of the few published Australian case studies indicates that the reliability of a Western Power SAPs is far superior to the long rural feeder it replaced – see table below.

Supply reliability of network versus stand-alone power system (July 2016 – July 2017)

Site No	Network		SPS	
	Number of outages	Hours	Number of outages	Hours
SPS-01	20	72.19	1	14.95
SPS-02	20	72.19	0	0
SPS-03	20	72.19	0	0
SPS-04	19	71.87	1	6.73
SPS-05	19	71.87	2	2.78
SPS-06	10	57.24	2	3.48
Average		**69.59**		**4.66**

Source: Western Power (2017), *Stand-alone Power System Pilot, One Year On*, p.6, available at https://westernpower.com.au/about/reports-publications/stand-alone-power-system-pilot-one-year-on/