



Review of the regulatory framework for stand-alone power systems

AEMC invites submissions to issues paper

The AEMC has published an issues paper to invite a first round of stakeholder submissions to its review of the regulatory framework for standalone power systems.

On 23 August 2018, the AEMC received terms of reference from the COAG Energy Council to provide advice on the required regulatory framework updates to allow for stand-alone power systems to be used where it is economically efficient, while maintaining appropriate consumer protections and service standards.

The AEMC is also currently reviewing the regulatory frameworks for embedded networks. The AEMC is coordinating both reviews closely as they cover similar consumer issues.

Scope of the review

The review covers the electricity regulatory framework as set out in the National Electricity Law, National Energy Retail Law and associated rules.

The review is structured around two priorities:

- Priority 1 covers national requirements for stand-alone power systems that are operated by DNSPs
- Priority 2 will propose a national framework for stand-alone power systems that are operated by third parties.

Under Priority 1, the AEMC will also develop a mechanism that will form part of the national regulatory arrangements to facilitate the transition of customers currently supplied by a DNSP to a stand-alone system that is provided by a third party. A third party is a party other than a DNSP, such as a developer or community group. The terms of reference for the review contemplate that such systems could then be regulated on an ongoing basis under jurisdictional frameworks or under the national arrangements to be developed by the Commission under Priority 2.

Issues paper

The issues paper focusses on Priority 1, which are the issues that are associated with transitioning grid customers to off-grid systems that are operated by DNSPs and service outcomes after the transition.

The paper sets out the AEMC's approach in the review, and divides the issues into four key areas:

- transition to off-grid supply
- allocation of roles and responsibilities
- application of consumer protections
- transition to third party stand-alone power systems.

Background

A stand-alone power system (SAPS) is an electricity supply arrangement that is not physically connected to the national grid. Stand-alone power systems encompass both microgrids, which supply electricity to multiple customers, and individual power systems, which relate only to single customers.

Changes in technology and technology costs are leading stand-alone systems to become

an increasingly viable option for providing electricity services to customers. This is particularly the case where the costs of providing a grid-connected service may be high, such as in remote locations.

Currently, the national energy laws and rules only apply to the interconnected electricity grid on the east coast of Australia that forms the National Electricity Market (NEM). Stand-alone systems that are not connected to this grid, generally in remote areas, are subject only to regulation by states and territories at the jurisdictional level.

Some states with significant numbers of stand-alone systems have relatively well-developed jurisdictional regulatory frameworks, whereas states and territories with no or relatively few such systems do not. Jurisdictional frameworks also do not enable NEM Distribution Network Service Providers (DNSPs) to supply customers on a stand-alone basis. DNSPs are economically regulated largely through national frameworks. Therefore, there is a risk that the current regulatory frameworks may be inhibiting the use of the most efficient technological solutions to supply some customers.

In 2017, the Commission considered a rule change request made by Western Power that sought to allow DNSPs to deploy alternative technologies and methods of providing distribution services, such as transitioning customers to off-grid supply. The Commission concluded that there may be situations where it would be efficient to allow DNSPs to offer off-grid supply, but that a broader package of framework changes would be required to properly implement the required reforms. Similar conclusions were reached by the Independent Review into the Future Security of the National Electricity Market (“the Finkel Review”) and the Australian Competition and Consumer Commission (ACCC) in its retail electricity pricing inquiry.

Next steps

The AEMC requests written submissions to the issues paper by 9 October 2018.

The AEMC will be consulting with key stakeholders, including the EMTPT, AER, Economic Regulation Authority of Western Australia, AEMO, jurisdictional regulators, DNSPs and consumer groups.

The AEMC understands the breadth of the issues related to stand-alone power systems, and intends to further consult on Priority 2 (third party stand-alone power systems) issues later in the review.

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