



## Review of the regulatory frameworks for stand-alone power systems - Priority 2

### AEMC invites submissions to consultation paper

The AEMC has published a consultation paper to commence its consideration of Priority 2 of its review of the regulatory frameworks for stand-alone power systems, and to invite stakeholder submissions on the issues arising.

On 23 August 2018, the AEMC received terms of reference from the COAG Energy Council to provide advice on the updates required to national regulatory frameworks to allow for the use of stand-alone power systems (SAPS). Priority 2 of the review relates to the provision of SAPS by parties other than the local network service provider (LNSP).

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

### Scope of the review

Under the terms of reference, the review is structured around two priorities:

- Priority 1 focuses on the development of a national framework for customers that move from grid-connected supply to SAPS provided by LNSPs.
- Priority 2 focuses on the development of a national framework to support the supply of electricity from SAPS provided by parties other than LNSPs (third parties). In practice, this may include community groups, local councils, developers or other NEM market participants.

The terms of reference also require the AEMC, under Priority 1, to develop a mechanism that will form part of the national regulatory arrangements to facilitate the transition of customers currently supplied by an LNSP to a stand-alone system that is provided by a third party. The Commission's draft recommendations in this regard were set out in the Priority 1 draft report, published on 18 December 2018.

### Consultation paper

The consultation paper sets out the background to Priority 2 of the review and its scope. It summarises current regulatory frameworks that apply to third-party SAPS, in addition to some examples of current systems. The paper then sets out the Commission's framework for assessment of the issues and recommendations in relation to the regulation of third-party SAPS.

In particular, the paper invites stakeholder views on the scope of any required regulatory arrangements, including whether they should apply to both individual power systems and microgrids, and whether national or jurisdictional arrangements would be more appropriate. The focus of the paper is on systems supplying small customers (as opposed to large industrial customers), and therefore on providing appropriate consumer protections to these customers. The paper also discusses the likely importance of proportionality in developing any regulatory arrangements: it may be more appropriate to apply comprehensive regulatory frameworks to microgrids supplying thousands of customers than it would be to those supplying a handful of customers, for instance.

The paper uses a framework of seven regulatory dimensions to highlight issues, comparator arrangements and to consider the case for regulation:

- registration and licensing, which covers eligibility criteria, licensing and supply continuity
- third party access and connections, which considers the extent to which users should be able to gain access to component services provided by third-party microgrid infrastructure,

and any obligations that should be placed on non-LNSP SAPS providers to offer to supply and/or connect new customers

- economic regulation, including tendering and price regulation
- consumer protections, which covers contractual standards, dispute resolution, billing requirements and vulnerable customer protections
- reliability of supply, and the extent to which regulatory protections in respect of reliability should be applied
- network operations, including system security and technical standards, in addition to metering and settlement
- safety of the design and installation of non-LNSP SAPS and system components.

The Commission requests written submissions from stakeholders on the consultation paper by 29 March 2019.

Under the terms of reference, the Commission is required to publish a draft report for Priority 2 by 30 June 2019, and a final report by 31 October 2019.

## Background

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

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). Where there are stand-alone systems not connected to this grid, these are subject to regulation by states and territories at the jurisdictional level. State and territory regimes for SAPS differ quite widely, and regulation is not necessarily comprehensive.

Changes in technology and technology costs are leading stand-alone power systems to become an increasingly viable option for providing electricity services to customers. Consequently, there is a risk that the current regulatory frameworks, by not adequately supporting the use of stand-alone power systems and the transition of grid connected customers to stand-alone solutions, might be inhibiting the use of the most efficient technological solutions to supply some customers.

Jurisdictions will decide whether and when to transition individual power systems and microgrids that have been established and are currently operating under jurisdictional legislative frameworks to the national framework for SAPS that the Commission has been asked to develop as part of this review.

## Priority 1

Priority 2 complements work underway on Priority 1 of the review, which commenced with the publication of an issues paper on 11 September 2018. The Commission subsequently published a draft report for Priority 1 on 18 December 2018, which set out the Commission's developing views on mechanisms for transitioning customers to off-grid LNSP supply, the regulatory and commercial arrangements that would then apply on an ongoing basis, and the consumer protections that should be put in place.

Under the terms of reference, the Commission is required to publish a final report for Priority 1 of the review by 31 May 2019.

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