



5 April 2019

Sherine Al Shallah  
Australian Energy Market Commission  
PO Box A2449  
Sydney South NSW 1235

Dear Sherine

**Re: REVIEW OF REGULATORY FRAMEWORKS FOR STAND-ALONE POWER SYSTEMS – PRIORITY 2**

CitiPower, Powercor and United Energy welcome the opportunity to respond to Australian Energy Market Commission's (AEMC) consultation paper on regulatory frameworks for the supply of stand-alone power systems (SAPS) provided by third parties.

**Licensing**

Eligibility criteria should be required in order for a third party SAPS to become licenced or registered to reduce the risk and effects of default. Because third party SAPS are by nature smaller and less established than distributors, failure or an inability to provide adequate supply is more likely. This is a key risk to consumers who may be left without a service provider in the event of such a failure.

**Regulation**

The regulatory treatment of third party SAPS should differ depending on the size, and therefore the risk, of the SAPS. A risk-based assessment could be used to determine the level of regulation required for a particular third-party SAP. A microgrid, for instance, should be subject to a similar regulation as a distributor.

We consider that the Australian Consumer Law is an inadequate protection for consumers in third party SAPS, and energy-specific regulation is needed for the purpose of protecting customers, in particular vulnerable customers. SAPS operators would have a large degree of market power over the customers within their SAPS, and customers' SAPS experience may significantly differ from their expectations prior to entering into the arrangement.

In order to become a SAPS, and to have the opportunity to benefit from it, the connection to the network must be abolished. Once abolished, customers seeking to move back to a network connection would face a connection charge (in addition to the charges paid for abolishing the network) to reinstate the network, which could be uneconomic.<sup>1</sup> It is therefore critical that SAPS operators face regulations to protect customers within the SAPS. The key areas of regulation should be around ensuring safety, reliability, quality, a fair price of supply for customers and access to dispute resolution such as an Ombudsman scheme.

SAPS operators should also be required to forecast for load growth and connect new customers. Where the network has been abolished at the request of a SAPS provider, and it is uneconomic for new customers to have it reinstated, their only option would be to join the SAPS. As electricity is an essential service, it is important that the SAPS be able to accommodate the needs of new customers. Similarly, it likely that regulations for SAPS connection charges will be needed.

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<sup>1</sup> We acknowledge the AEMC's Priority 1 Draft Report, which outlines third party SAPS customers should fund stranded assets arising due to their decision to join a SAPS, rather than all other customers of a distributor being require do to pay. Pages 133 – 137.

Should you have any queries about this letter please do not hesitate to contact Amber Wilkie on (03) 9683 4124 or [awilkie@powercor.com.au](mailto:awilkie@powercor.com.au).

Yours sincerely,



Brent Cleeve  
**Head of Regulation CitiPower, Powercor and United Energy**