



# **Clean Energy Council submission to the Australian Energy Market Commission's Draft Report: Review of the Regulatory Frameworks for Stand-Alone Power Systems – Priority 2**

The Clean Energy Council (CEC) welcomes the Draft Report of the Australian Energy Market Commission (AEMC) Review of the Regulatory Frameworks for Stand-Alone Power Systems (SAPS) – Priority 2.

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, hydrogen and energy efficiency along with more than 6,200 solar installers. We are committed to accelerating the transformation of Australia's energy system to one that is smarter and cleaner. We have a co-regulatory role, managing voluntary industry codes in conjunction with the Clean Energy Regulator (CER) and various state and territory government agencies.

The CEC supports the Draft Report's recommendations that a 'tiered framework' be applied in a proportionate and flexible manner to provide appropriate protections for consumers of SAPS under three categories, namely:

- 1: Very large microgrids able to support effective retail competition,
- 2: Small town-scale microgrids that are vertically integrated, and
- 3: Individual power systems and microgrids that are very small or only supply large customers.

We support the view that for individual power systems the impost of additional energy-specific regulations beyond those relating to safety would not be proportionate.

We understand that network licensing is currently undertaken by jurisdictions and that the most pragmatic approach for regulation of category 2 and 3 microgrids will be a combination of jurisdictional licensing, registered licensing exemptions and jurisdictional regulatory instruments. However, the CEC would ideally prefer a national framework, possibly established in a way that allows jurisdictions to opt in as and when they are ready to do so.

We support the Commission's recommendation that customers should have access to dispute resolution, preferably via jurisdictional energy ombudsman schemes. Customers being supplied by third party SAPS should also have access to jurisdictional concession, rebate and emergency assistance schemes.

We welcome the Commission's recognition that the current framework for enforcement of safety, product quality and consumer protection standards relies for its effectiveness on the connection with the eligibility criteria for distributed energy resources (DER) incentive schemes, such as the Small-scale Renewable Energy Scheme (SRES) or state government programs (eg. Victoria, South Australia, New South Wales and Queensland's schemes). As these rebate schemes unwind there will be a need to replace incentive-based enforcement with either a different form of incentive or a regulatory requirement. Jurisdictional licensing could be a useful way of continuing to ensure safety and consumer protection for off-grid customers. CEC's accreditation programs could become part of those jurisdictional licensing or licensing exemption requirements. We also welcome the Commission's suggestion that jurisdictions may wish to consider supplementing their existing regimes with additional requirements for maintenance and inspection to provide for the safety of installations over their operating lives.

We would be very happy to discuss these issues in further detail with the AEMC. We would also be happy to provide additional information on CEC's accreditation schemes for solar installers, solar equipment and solar retailers. We look forward to contributing further to this important area for policy development.

## Responses to questions raised in the Draft Report

- 1. Stakeholder input would be welcome in regard to the obligations that would apply to each category and the thresholds that would be used to determine which category would apply to a given system.**

The proposed obligations for category 1 microgrids are appropriate and proportionate.

The CEC supports the key criteria for category 1 systems being that they can support effective retail competition. We would propose that 'effective retail competition' would involve more than five or six retailers, each with no more than about 20% market share.

- 2. The Commission welcomes stakeholder feedback on the factors to be considered and the thresholds for determining the categorisation of microgrids in the proposed tiered framework. In particular, the Commission would be interested in views as to how prescriptive its final recommendations need to be in terms of designing threshold criteria to determine the boundaries between categories 2 and 3.**

The precise requirements for category 2 and 3 systems under the tiered approach would be developed and applied by jurisdictional governments and regulators. The Commission need not be prescriptive in its final recommendations in terms of designing threshold criteria, however some principles should be applicable across all jurisdictions. For example,

- For individual power systems the impost of additional energy-specific regulations beyond those relating to safety would not be proportionate.
- All microgrids should be registered, whether they are licensed or operate under a license exemption framework.
- Jurisdictional frameworks should extend beyond the installation stage and should regulate safety aspects of operation and maintenance.
- New suburbs that are off-grid should be licensed as category 2 microgrids.

- 3. The Commission is interested in stakeholders' views on allowing category 2 retailers to elect to become category 1 retailers.**

Retailers in category 2 systems should not be prevented from operating in category 1 systems, provided they meet all the regulatory requirements for each system in which they operate. The retail function should only be disaggregated when the system transitions to a category 1 system, and not simply because the retailer is seeking authorisation under an alternative regulatory framework.

- 4. The Commission welcomes stakeholder feedback on the application of the coverage test and the possible transition between category 2 and category 1.**

A category 2 system should only be allowed to become a category 1 system when it has been demonstrated that it could support effective retail competition. A practical test could be a market-based approach that seeks expressions of interest for a share of a microgrid's retail market that will not exceed 20%. If there are at least five or six retailers willing to tender for a market share no larger than 20% (or some other threshold determined by the Commission) then the system might be considered to have demonstrated one of the prerequisite criteria for a category 1 system.

Capacity thresholds may be a simple first step to distinguish between segments. For example, we note that the Default Market Offer only applies to regions with electricity retailers supplying more than 100,000 customers. We also note the observation made in the Draft Report that, "retailers generally require many thousands to tens of thousands of customers before it becomes cost effective to develop specific retail tariffs for a group of customers".

**5. The Commission is interested in stakeholder views as to whether there are any additional consumer protections that should apply to third-party SAPS.**

We support the Commission's recommendation that customers should have access to dispute resolution, preferably via jurisdictional energy ombudsman schemes.

Licensing of retailers will be particularly important for consumer protection of customers on category 2 microgrids. Price transparency and price monitoring would be required for retail and connection charges.

**6. The Commission is interested in stakeholders' feedback on the safety framework required under each category of third-party SAPS.**

The CEC welcomes the Commission's observation that, "Jurisdictions may wish to consider ways to continue the Clean Energy Council's accreditation scheme for installers following the end of the Small-scale Renewable Energy Scheme, and this may involve some form of licensing, either of systems or installers".

Regulatory reform is needed in the areas of safety and consumer protection, particularly following the installation of systems. Making safety and maintenance a mandatory standard for SAPS under jurisdictional licensing or registered licensing exemptions would be a pragmatic way of strengthening customer protection and simplifying regulations.