



8 August 2019

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Lodged online

Dear Mr Pascoe,

Ausgrid is pleased to provide this submission to the Australian Energy Market Commission (AEMC) draft report on regulatory sandboxes (the draft report).

The electricity industry is going through a period of significant change. Like other parts of the energy system, our network needs to adapt to this new landscape and manage a growing mix of distributed energy resources and other technologies across the grid.

There is a risk that our regulatory framework will be slow to adapt to the pace of change and hinder the adoption of new technologies that will assist the efficient transition to a low carbon future. For this reason, we support the development of a regulatory sandbox toolkit that will encourage innovation and the trial of new technologies that will help distribution networks to evolve.

Through our consultative committees, including our new Network Innovation Advisory Committee, we are collaborating with our customer advocates on our innovation program. Some of the projects we are discussing with customers, such as community batteries, may need regulatory exemptions to proceed as they are likely to challenge existing regulations and metrology rules.

In our submission, we have not answered each of the AEMC's questions directly but provide high level views on two issues raised in the draft report.

Regulatory guidance through an inquiry service

We support the recommendation in the draft report that the Australian Energy Regulator (AER) be the first point of contact for trial proponents seeking guidance on matters related to regulation. Energy market regulation is a complex mix of national and state laws and regulations, and there is no doubt that trying to navigate energy market regulation would be a daunting prospect for entrepreneurs not familiar with energy regulation.

One aspect of the inquiry service that we think could be explored in more depth is the provision of high level information regarding usage of the guidance service. The draft report proposes that the AER will publish a breakdown of the types of innovation and areas of regulation seeking guidance, as

well as utilisation of the service. The AEMC could consider expanding the information to be made public to include a summary of the advice given to proponents. This need not be a burdensome obligation on the AER, nor should it involve disclosing commercial in confidence information. However, it will help increase transparency about the actual advice provided and help avoid multiple parties seeking advice about the same issue.

Certainty of process

We support the recommendations in the draft report for the creation of a formal waiver power for the AER and for the introduction of a new trial rule making process for the AEMC. In chapter 2 of its draft report, the AEMC sets out how it sees these processes operating in the context of the broader sandbox tool kit.

In our view, the AEMC should set out more clearly how the waiver process and trial rule change will interact. For example, while Figure 2.1 in the draft report seems to imply that an AER waiver process will be conducted before a trial rule change process can be initiated, other sections of the draft report suggest that trial proponents can apply for a trial rule change if they have 'considered' a waiver and discussed with the AER (see Table 2.1 of the draft report).

If a proponent does not need to seek a waiver prior to applying for a trial rule change, there is the risk of 'forum shopping' with trial proponents approaching both the AER and the AEMC simultaneously to try and get a new trial or innovative project across the line. This could result in regulatory inconsistency and potentially poor outcomes for consumers.

To avoid this risk, the AEMC should make it clear that trial proponents must approach the AER in the first instance and that the AER must provide written advice about whether it can or cannot provide a waiver. Only if the AER advises in writing that it cannot provide a waiver or that a trial rule change is a better option should the proponent be able to commence a trial rule change process. This 'gateway' will ensure that rule change requests are only submitted when absolutely necessary. This should reduce the regulatory burden on both the trial proponent and the AEMC.

If you would like to discuss our submission in more detail, please contact John Skinner, Regulatory Policy Manager on 02 9269 4357 or john.skinner@ausgrid.com.au.

Yours sincerely



Iftekhar Omar
Head of Regulation