

13 February 2019

John Pierce
Chairman
Australian Energy Markets Commission
PO Box A2449
Sydney South NSW 1235

Locked Bag 14051
Melbourne City Mail Centre
Victoria 8001 Australia
T: 1300 360 795
www.ausnetservices.com.au

Reference Code: EMO0038

Dear John,

Draft Report: Updating the regulatory frameworks for Distributor-led Stand-Alone Power Systems

AusNet Services is pleased to have the opportunity to make this submission in response to the Commission's draft report on updating the regulatory frameworks for Distributor led Stand-Alone Power Systems (SAPS).

We are broadly supportive of this reform enabling distributors to better meet the electricity needs of those "edge of grid" customers that would otherwise be supplied by more expensive and less reliable means. The proposed draft rule changes would establish an updated comprehensive rules framework which encourage distributor led SAPS deployments.

The proposed framework seamlessly integrates with current market processes and with the necessary changes to jurisdictional retail rules and electricity law providing confidence to customers and network businesses alike. However, we have one specific concern outlined below.

Prohibition on providing maintenance service would be sub-optimal for customers

The prohibition in the draft rules on distributors from providing ongoing maintenance on regulated SAPS will result in unnecessarily high costs or poor customer service outcomes.

There are natural monopoly characteristics to SAPS generation maintenance services in the remote areas where SAPS will be installed. The AEMC in the draft report, and in the earlier report during the review, acknowledge this may be the case even in the long term.¹ We consider this is particularly the case in relation to SAPS for individual customers. Notwithstanding this concern, the draft rules prohibit the distributors from providing ongoing maintenance services. The draft report notes that, distributor could seek a ring-fencing waiver where it may be appropriate or more efficient for a distributor to provide SAPS generation services directly. Undertaking the full waiver application process on a case-by-case basis would increase the administrative burden for distributors or the Australian Energy Regulator (AER). Needing a waiver may undermine confidence in establishing these permanent changes in the electricity supply arrangements for customers with individual SAPS.

Additionally, the proposed waiver arrangements limited to five years would reduce the ability of distributors to make long term investments in service delivery capabilities where contestable service providers are unable or unwilling to provide the necessary SAPS generation service. Project to build service delivery capabilities are often costly. DNSPs should be able to have confidence that SAPS ring-fencing waivers will last until SAPS generating assets require replacement or it can be demonstrated the distributor can sustainably outsource the provision of the services at lower cost.

¹ AEMC, p. 47. Updating the regulatory frameworks for distributor-led stand-alone power systems, Draft report, 19 December 2019, p. 47.

Therefore, we recommend the removal of prohibitions on distributors providing SAPS generation maintenance services. Distributors should be able to leverage their local workforces that are typically able to respond to incidents in less than four hours, even for edge-of-grid customers. Distributors would likely be able to respond quicker to edge-of-grid SAPS generation maintenance requests.

AusNet Services has contributed to, and supports, the Energy Networks Australia submission.

If you have any queries about any of the positions outlined in this submission, please do not hesitate to contact Justin Betlehem on 03 9695 6288.

Yours sincerely

A handwritten signature in black ink that reads "C. Eddy". The signature is written in a cursive style with a long horizontal stroke underneath the name.

Charlotte Eddy
Manager Economic Regulation