

12 February 2020

Mr John Pierce
Chair
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Via online submission

Dear Mr Pierce

RE Updating the regulatory framework for distributor-led SAPS

TasNetworks welcomes the opportunity to make a submission to the Australian Energy Market Commission (**AEMC**) regarding the AEMC's draft report on updating the regulatory frameworks for distributor-led stand-alone power systems (**SAPS**) and the Australian Energy Regulator's (**AER**) Explanatory Note on ring-fencing interaction with distributor-led SAPS.

As the Transmission Network Service Provider (**TNSP**), Distribution Network Service Provider (**DNSP**) and Jurisdictional Planner in Tasmania, TasNetworks is focused on delivering safe, secure and reliable electricity network service while achieving the lowest sustainable prices for our customers. TasNetworks operates a relatively low density distribution network with a number of long radial feeders servicing communities in remote and rural areas of Tasmania. Those feeders often traverse challenging terrain or are exposed to severe weather that impacts on their reliability.

For some of those remote regional communities a SAPS, potentially in the form of a micro-grid, may represent an efficient alternative to network augmentation as a means of improving security and reliability outcomes, while also reducing costs for all Tasmanian customers. Therefore, TasNetworks is of the view that updating the regulatory framework to provide for distributor-led SAPS is something that would be welcomed by our customers.

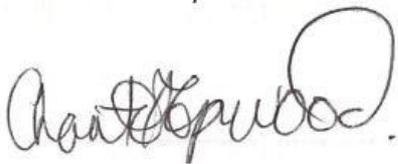
In terms of the proposed rule changes, TasNetworks supports the comments made by Energy Networks Australia (**ENA**) in its response to the draft report and the AER's explanatory note. In particular, we note the suggestion that the AER should grant ring-fencing waivers for the life of SAPS, rather than just for a single (five year) regulatory control period at a time.

The decision to implement a SAPS has long-term consequences for not only the customers that might be serviced by the stand-alone power supply, but for the wider customer base and the DNSP in question. SAPS involve assets with the same long lifespans as the assets that make up a traditional distribution network, and DNSPs should expect to earn a return on those assets for the duration of their economic lives, in the same way as they do the rest of their regulatory asset base.

The delivery of network services in the form of a SAPS lends itself to provision by a natural monopoly provider and is materially different from other commercial activities that might be undertaken in a competitive market by a ring-fenced subsidiary or component of a DNSP, where a regular review of existing ring-fencing waivers might be warranted. Without the certainty provided by an extended ring-fencing waiver for SAPS, DNSPs will be reluctant to investment in SAPS, even though doing so may be in the long-term interests of customers.

TasNetworks welcomes the opportunity to discuss this submission further with you. Should you have any questions on the above, please contact William (Billy) Godwin, Revenue and Price Regulation Team Leader, at william.godwin@tasnetworks.com.au or on 0419 556 796.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Chantal Hopwood', with a large, stylized flourish at the end.

Chantal Hopwood
Leader Regulation