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Senior Officials of the former COAG Energy Council
By email: demsaenwg@sa.gov.au

Dear Senior Officials of the former COAG Energy Council

AEMC submission to Stand-Alone Power Systems Legislative Amendments – Consultation Package

The Australian Energy Market Commission (AEMC) welcomes the opportunity to make a submission on the Stand-Alone Power Systems Legislative Amendments – Consultation Package.

We are pleased to see the arrival of the legislative amendments, as this marks a key stage in the implementation of a major national reform. This reform means that energy distribution businesses can utilise improved technologies to choose stand-alone power systems when it's less costly than using poles and wires to supply their customers via the grid. The changes will enable those living in remote or hard to reach locations where power supply is unreliable, or subject to frequent or extended blackouts, to have better quality services. This should also reduce costs for all energy consumers over time.

There are two matters that we believe require consideration in the ongoing finalisation of the legislative amendments. These matters are the focus of our submission.

1. Definition of stand-alone power system

Item [6] of Schedule 1 to the Bill provides for a new section 6B to be inserted in the National Electricity Law (NEL). Paragraphs (1)(a) and (1)(b) of new section 6B of the NEL refers to a **regulated stand-alone power system** as being a stand-alone power system (of a particular type) which consists of a distribution system. A regulated stand-alone power system will consist of more than just a distribution system, as it will also include at least one generating system.

To recognise this distinction, we suggest changing 'which consists of' to 'which includes' in paragraphs (1)(a) and (1)(b) of section 6B, in Item [6] of Schedule 1 of the Bill.

Paragraph (6) of this section 6B also defines **stand-alone power system** to mean "a system that generates, stores and distributes electricity (for example, by means of solar panels) that does not form part of the interconnected electricity system."

Under this definition, it could be interpreted that a system is only a stand-alone power system if it includes storage. We consider that there may be stand-alone power systems without storage, such as microgrids supplied by generation that is in constant operation. For example, stand-alone diesel and LPG generators supply electricity in a similar way to home and businesses in remote South Australian towns through the Remote Area Energy Supply scheme. A definition that mandated storage could lead to inefficient outcomes where storage was not necessary. Therefore, we propose that the word 'stores' is removed from the definition of stand-alone power system.

A related consideration is the reference to solar panels in the definition of stand-alone power system. While the AEMC does not consider the reference to a particular form of generation technology is necessary, if it is seen as useful by the legislators it might be better included immediately after 'generates', as solar panels do not store or distribute electricity.

2. Inclusion of amendment provisions

We note that the Bill does not currently contain any amendment provisions. That is, a section that states that the National Electricity Law and National Energy Retail Law are amended as set out in the schedules of the Bill. For example, the consultation draft of the Statutes Amendment (National Energy Laws) (Omnibus) Bill 2020 has the following clause:

Amendment provisions

In this Act—

- (a) a provision in Part 2 amends the Australian Energy Market Commission Establishment Act 2004; and
- (b) a provision in Part 3 amends the National Electricity Law set out in the Schedule to the National Electricity (South Australia) Act 1996; and
- (c) a provision in Part 4 amends the National Energy Retail Law set out in the Schedule to the National Energy Retail Law (South Australia) Act 2011; and
- (d) a provision in Part 5 amends the National Gas Law set out in the Schedule to the National Gas (South Australia) Act 2008.

Similar provisions are included in the Statutes Amendment (National Energy Laws) (Penalties and Enforcement) Bill 2020.

We assume that an amendment provision will be included as the Bill is finalised, in order to give effect to the amendments set out in the schedules to the Bill.

We also note that, to the extent the agreed legislative amendments differ from the changes recommended in the AEMC's *Review of the regulatory frameworks for stand-alone power systems—priority 1 final report* (and on which the subsequent package of proposed rule changes are based),¹ revisions to the proposed rules may be needed so that the rules work with the new definitions in the law. We propose to undertake this work as soon as practicable after receiving the final law drafting.

We welcome the opportunity to provide further input as the Senior Officials of the former COAG Energy Council considers submissions to the Consultation Package and progresses the final legislative amendments. If you wish to discuss any of the matters raised in this submission, please contact Andrew Truswell, Director at andrew.truswell@aemc.gov.au.

Yours sincerely



Benn Barr
Chief Executive

¹ On 28 May 2020, the AEMC published the final report for the *Updating the regulatory framework for distributor-led stand-alone power systems review* that advises on a package of proposed revisions to the National Electricity Rules and National Energy Retail Rules required to implement the high-level recommendations and proposed law changes made in the *Review of the regulatory frameworks for stand-alone power systems - priority 1*, 30 May 2019.