

31 July 2020

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Dear Mr Pierce,

National Energy Laws Amendment (Stand-Alone Power Systems) Draft Bill 2020

AusNet Services appreciates the opportunity to comment on the consultation draft of the above bill and supports COAG's recognition of the value of obtaining industry's perspective in developing new legislation.

We have identified four issues in the draft Bill for COAG consideration, with a view to amending the draft Bill in line with the suggestions presented. These are detailed below.

Definition of *regulated stand-alone power systems*

The Bill incorporates stand-alone power systems (**SAPS**) into the national energy laws by:

- Defining a SAPS (clause [6], the new section 6B(6));
- Providing a mechanism for a *local regulation* to prescribe a SAPS to be a *regulated SAPS* (clause [6], the new section 6B(1); and
- Amending the definition of *distribution system* to expressly include *regulated SAPS* (clause [1]).

While AusNet Services considers this is a sensible structure, it is concerned that the new sections 6B(1)(a) and (b) contain a circularity that undermines the certainty that is required for regulators and industry participants to be able to clearly identify when a SAPS is a regulated SAPS.

Specifically, the new sections 6B(1)(a) and (b) define a regulated SAPS as a particular SAPS, or class of SAPS, "which consists of a distribution system owned, controlled or operated, or proposed to be owned, controlled or operated by a regulated distribution system operator". By referring to a distribution system in these paragraphs, the definition makes being a distribution system a pre-condition for a system to be regulated SAPS. However, a SAPS can only be a distribution system if it first meets the definition of a regulated SAPS. This is because the definition of 'distribution system' expressly includes regulated SAPS.

We consider the circularity can be removed by deleting the phrase "which consists of a distribution system" from both sections 6B(1)(a) and (b). To the extent that the intention behind including this phrase is to use concepts embedded in the definition of distribution system to identify what constitutes a SAPS (e.g. that a SAPS is a system of apparatus, electric lines, equipment, plant and buildings used to convey or control the conveyance of electricity), we encourage COAG to review the drafting.

Definition of *stand-alone power system*

AusNet Services supports the description of a SAPS by reference to its key components in the proposed definition of *stand-alone power system* in the new section 6B(2) (clause [6]) and agrees that these components are correctly identified. However, including solar panels as example in the

definition is both incorrect and incomplete. Solar panels are but one component of a SAPS. Other hardware necessary to create a complete and functioning SAPS includes a battery to store electricity, an inverter to facilitate the import and export of electricity, and a control system to operate and monitor the system. Retaining the reference to solar panels as an example of a SAPS, therefore, risks misleading those charged with applying and complying with the new law about what constitutes a SAPS.

Accordingly, AusNet Services strongly encourages COAG to delete the phrase “(for example, by means of solar panels)” from the definition of *stand-alone power system*. If COAG considers it is necessary to provide guidance to stakeholders about the types of systems that could meet the definition of a SAPS, it is more appropriately included in the Explanatory Memorandum to the Bill, or perhaps a publication prepared by the AER.

Definition of *power system security*

Clause [11] of the draft Bill recasts AEMO’s obligation under section 114 of the NEL to expressly apply to regulated SAPS and amends the definition of *power system security* (clause [4]) to support this change. The responsibility for maintaining the security of supply for sensitive loads is best performed by the Distributor.

On the interconnected national electricity system, AEMO ensures maintenance of supply of sensitive loads by regulating emergency load switching at the transmission and sub-transmission voltage levels where real-time supervisory control and data acquisition (**SCADA**) data is available.

It is unclear how AEMO is expected to discharge this obligation in respect of regulated SAPS. Based on the way SAPS are proposed to operate or would be likely to operate, AEMO would not receive SCADA data that would enable it to identify whether a sensitive load connected to a SAPS has been interrupted. SCADA monitoring of DNSP led SAPS installations by AEMO would be costly and unnecessary as AEMO gets metering data. If the purpose of these amendments is to lay the foundation for amendments to the NER that would require, for example, regulated distribution system operators to install communication systems to provide SCADA data to AEMO, COAG should state this.

Amendment to section 11(1)

The amendments to section 11(1) proposed in clause [7] of the draft Bill will have the effect of requiring a regulated distribution system operator to register as a generator if it intends to operate, control or operate a regulated SAPS unless it is already so registered, or it benefits from a derogation or exemption from AEMO in accordance with section 11(2).

While we agree with the policy position that entities engaged in generation activities should be registered, it wishes to emphasize the importance of AEMO maintaining appropriate exemption categories or, where necessary, creating new categories to ensure that registration requirements are appropriately targeted and do not impose undue administrative and regulatory burdens on regulated distribution system operators.

We have contributed to and fully support the submission of Energy Networks Australia on the other matters raised.

If you have any queries on our submission, please do not hesitate to contact Justin Betlehem on 03 9695 6288.

Yours sincerely,



Tom Hallam
General Manager Regulation