

31 July 2020



Shaun Sullivan
Chair of the Senior Officials
National Federation Reform Council Energy Committee
Submitted via email to: demsanwg@sa.gov.au

Dear Mr Sullivan

Stand-Alone Power Systems Priority 1 – Legislative Amendments

Energy Queensland Limited (Energy Queensland) appreciates the opportunity to provide a submission to the National Federation Reform Council Energy Committee in response to the consultation paper, *Stand-Alone Power Systems Priority 1 – Legislative Amendments* (consultation paper).

This submission is provided by Energy Queensland, on behalf of its related entities Energex Limited (Energex), Ergon Energy Corporation Limited (Ergon Energy Network), Ergon Energy Queensland Limited (Ergon Energy Retail) and Yurika Proprietary Limited (Yurika).

Energy Queensland has actively participated throughout the stand-alone power systems (SAPS) review as it relates to Priority 1, through consultations and a field trip with Australian Energy Market Commission (AEMC) officers to regional Queensland. Our overall objective was to engage and facilitate the development of a regulatory framework that is fit-for-purpose through enabling AEMC officers to experience first-hand customer's experiences and appreciate the economic drivers in regional and remote locations from a supply delivery perspective where SAPS are most likely to be installed in the near to short-term. This is especially relevant as Energy Queensland's distributor, Ergon Energy Network, is at the forefront in the delivery of distribution network service provider (DNSP)-led SAPS in regional and remote locations of its distribution network.

While we acknowledge and appreciate the hard work of the AEMC, Energy Queensland is disappointed with the final decision, and as such, consider it imperative that a mandated legislative post-implementation review of the SAPS framework is considered. The review should focus on whether the implemented policy is operating as intended and achieving the desired objective. Monitoring the ongoing performance of this regulatory framework is required given that a significant number of stakeholders have not been supportive with aspects of the framework. In addition, as this framework impacts the whole market it is essential that a review be undertaken in order to meet best practice regulation.

As the framework prevents DNSPs from providing an integrated SAPS solution unless a ring-fencing waiver is obtained, there is a risk that the additional complexity will result in unintended consequences and poor customer outcomes and will likely result in a delayed deployment of SAPS. To encourage DNSPs to implement SAPS, the Australian Energy Regulator's (AER) Ring-fencing Guideline should be amended to reflect the unique and bespoke nature of SAPS solutions in appropriate circumstances and allow DNSPs to deliver an integrated solution when conditions are met via a standing exemption. The waiver process in our experience is not certain, efficient nor timely, and as such we consider that the AER's review, which has been postponed due to COVID-19, is required to ensure unequivocally the parameters within which DNSPs can install an integrated SAPS.

In summary, the intent of providing a SAPS solution, is to drive economic efficiencies by utilising SAPS options to deliver distribution services. What is proposed is inefficient, complicated and unnecessarily onerous, especially in circumstances where DNSPs are targeting very small SAPS or Individual Power Systems and is based on competitive notions that have not been tested.

In relation to the definition proposed, Energy Queensland is concerned that as currently drafted there is some level of ambiguity between the regulated and non-regulated components of a SAPS, given that a SAPS provides two services, a competitive generation service and an input into a distribution service. Additionally, there may be circumstances where a SAPS does not have a storage component. As such, we recommend that the proposed definition is clarified to remove this ambiguity.

Finally, Energy Queensland considers AEMO should not have a role in power system security of a regulated SAPS, given the diverse nature and size of SAPS can be varied. Furthermore, as the AEMC have stated that SAPS technical requirements are to be determined at a jurisdictional and network level, AEMO's role in power system security is not required as they do not have oversight or a determining role in the design of a SAPS. As such, it is unclear how the proposed drafting amendments will operate and if there is any conflict between jurisdictional and national requirements. The objective of the SAPS market review was to develop a framework that allowed a more efficient means to deliver a supply service for high-cost to serve customers. In our opinion, including AEMO as the responsible party for power system security for regulated SAPS will add another layer of regulatory burden, complexity and potentially costs. Energy Queensland notes, that its distributor Ergon Energy Network, effectively maintains power system security for its isolated networks without AEMO's oversight.

Should you require any additional information or wish to discuss any aspect of this submission, please contact me on 0429 394 866.

Yours sincerely



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