SUSTAINABLE ASSET COMPANY
building sustainable communities

Mila Sudarsono
Director
Compliance and Enforcement
The Australian Energy Regulator
23 Marcus Clarke Street
Canberra ACT 2601

Sent via email
05.03.2024

Dear Ms. Sudarsono,

Sustainable Asset Co Pty Ltd – Response to SAPN Submission 26.02.2024

Thank you for providing Sustainable Asset Company the opportunity to respond to SAPN's submission on our application to register as an exempt network service provider. We note, that calls for submissions to be lodged expired on the 21st of February 2024, however, SAPN's submission was lodged out of time (letter dated 26th February 2024) and while we understand that the AER has indicated that it will consider SAPN's submission, the consequence of this is to delay the assessment of our application and in the context of the points noted in reply below, this is unfortunate.

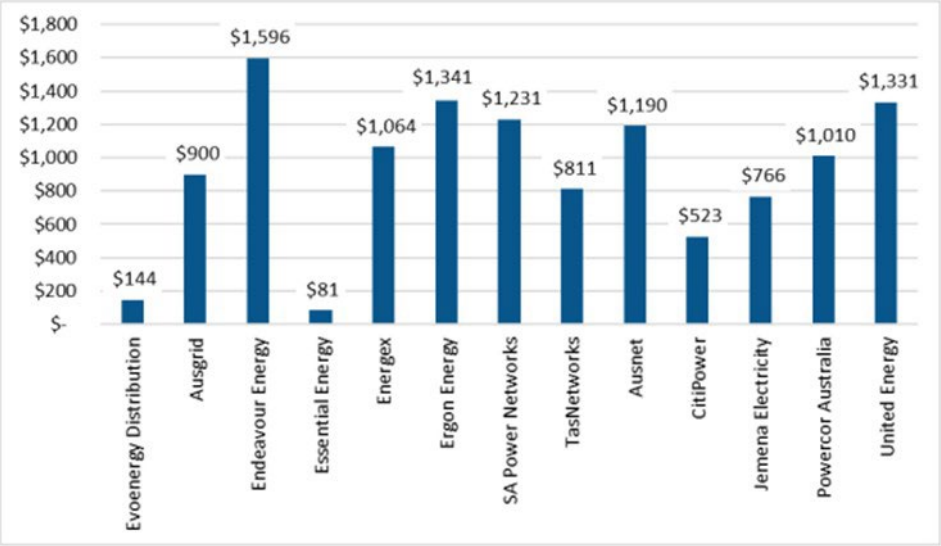
At the outset we have sought, and will continue to seek, to work constructively with all parties including SAPN.

It is clear that SAPN has considered the application in detail. To the extent that our application is relevant in relation to our connection with SAPN and the impact of our proposed activities on the distribution network, we say that is appropriate. We must also point out that we have an executed connection agreement with SAPN and note that SAPN are currently carrying out circa $1.8M of works already paid to SAPN to complete this connection.

It would be inappropriate for SAPN to seek to prevent us from establishing the embedded network on other grounds, specifically in the proposal being a viable alternative to a direct connection to SAPN. Doing so would be contrary to the National Electricity Objective and to the principles set out in the Ring-Fencing Guideline (Electricity Distribution). We note in the submission that SAPN have discussed shadow network pricing methodologies along with retail pricing. Submissions by SAPN as to any proposed pricing are entirely inappropriate.

We say that our application is consistent with the National Electricity Objectives, including by placing pressure on DNSPs to ensure that their charges are cost reflective. While this is not to be taken as a criticism of SAPN and we are not alleging any wrongdoing, across the NEM an overestimation of costs by DNSPs has been identified as resulting in higher electricity invoices (October 2022 report by IEEFA, Regulated Electricity Network Prices Are Higher than Necessary).

Figure 11: Cumulative Supernormal Profits per Customer per Distribution Network (combined transmission and distribution), 2014-2021



Source: AER data,[70] IEEFA analysis—combining both transmission and distribution network supernormal profits for the 13 electricity distribution networks.

Figure 11 of the IEEFA report (which should be read in its entirety for context)

SAPN has noted that consumers within the embedded networks will not have the 'full protections of the National Energy Customer Framework (NECF) as set out in the National Electricity Law [sic] and National Energy Retail Law.' This is incorrect. The proposed embedded network is consistent with the NECF, and all applicable consumer protections will apply.

Retail supply is proposed to be via an authorised retailer, as such consumers will enjoy all of the relevant protections under the National Energy Retail Law and National Energy Retail Rules, in addition to those set in the AER's NSP Registration Exemption Guidelines, the relevant conditions of the individual exemption. Our application does not need to discuss the appointment of an Embedded Network Manager, such appointments are mandated and clearly we will comply with such requirements.

SAPN's position towards embedded networks is at odds with those of its wholly owned subsidiary, Enerven. In its embedded network capability statement, Enerven notes the following:

'Within our embedded networks, end-users join a more sustainable, independent network, generating, storing and selling renewable energy outside the traditional market retailers' networks. They reduce infrastructure costs and ultimately provide the end- users with the most economical energy solution.'

Enerven is noted as being a wholly owned subsidiary of SA Power Networks (or SAPN) operating independently and is the business name used by Enerven Energy Infrastructure Pty Ltd (ABN 31 621 124 909). Much of Enerven's marketing collateral makes specific reference to its relationship with SAPN. In addition, it is observed that there appears to be Board Members that are common to both SAPN and Enerven Energy Infrastructure.

Our application sets out how we will not only meet but in fact exceed existing consumer protections. In our application, we note that we will comply with relevant provisions of the Electricity Distribution Code. SAPN's

response is that the Electricity Distribution Code only applies where a distributor has more than 50,000 customers. SAPN makes reference to a final decision on a version of the code that is not currently in effect (version ED/14 (commencing in July 2025)). The Electricity Distribution Code is made by the Essential Services Commission of SA pursuant to section 28 of the Essential Services Commission Act 2002. The Electricity Distribution Code applies to 'the distributor' and 'embedded generators' which are not registered under the National Electricity Rules. A distributor is defined to mean the holder of a licence to operate a distribution network under Part 3 of the Electricity Act 1996. SAPN's submission in relation to the code is therefore incorrect. They have failed, in their submission, to reference the correct version.

SAPN makes reference to the AEMC's package of law and rule changes in 2019. The recommendations of the AEMC, as the AER is aware, included additional consumer protections, the reduction of the availability of retail exemptions, and the introduction of mechanisms to allow for embedded networks to settle network costs with on-market retailers. We support the recommendations of the AEMC and the AER's current work in reviewing the relevant guidelines. It is not clear why SAPN are making reference to the AEMC's recommendations noting that they were not implemented, and that state energy Ministers, at the time, voted against their implementation. Our proposed approach is consistent with many of the recommendations of the AEMC, including in the following ways:

1. Our application for an individual exemption: the AEMC proposed to retain individual exemptions to allow the AER to assess applications and to impose appropriate conditions;

2. The involvement of authorised retailers: the AEMC proposed to reduce the number of retail exemptions and to require authorisations to retail within embedded networks; and

3. The additional voluntary compliance mechanisms we have adopted: those mechanisms, embodied in our application documents were drafted following consideration of the AEMC and IPART reports among others.

SAPN makes reference to IPART's review. IPART is a jurisdictional regulator in NSW. Again, the relevance of the points raised by SAPN are not clear to us. The central argument of SAPN appears to be that consumers will be disadvantaged by the establishment of the embedded network. IPART's review, and others, have identified the benefits of embedded networks. The NSW Government's review was the genesis of IPART's review (noting that IPART has published a draft report). The Final report of the Committee on Law and Safety (Embedded Networks in New South Wales) notes that embedded networks 'can deliver technology innovation and costs savings for consumers.' That is exactly what we are proposing to do. One of the recommendations of the Committee was that 'embedded networks services should be focused on delivering genuine technology and costs savings benefits.' The potential cost savings of embedded networks has also been recognised by NSW distributors. In its 2024 Revised Energy Tariff Structure Explanatory Statement, Endeavour Energy notes that 'there are a range of network benefits- and so network tariff savings- that can be obtained by an embedded network, in comparison to directly connected customers.' Further: 'coincidental maximum demand of the aggregate embedded network is lower than the sum of maximum demand for each connection.'

SAPN states that it has 'developed an Australian leading flexible export regime.' We support SAPN's work in this area, while noting that the scheme is still being rolled out across the State. Embedded networks allow for a greater uptake of renewable generation facilities as energy that is generated is consumed within them before being exported. Via collaboration, embedded networks can and do benefit wider distribution

networks, as has been recognised both by Enerven, by Essential Energy and by academic research (see for example 'Operation of a Power Grid with Embedded Networked Microgrids and Onsite Renewable Technologies' Ruiz Duarte & Fan, 2022).

Within SAPN's submission, we note they have identified some technical areas of concern, specifically regarding redundancy in the proposed low voltage network or ring main configuration. Sustainable Asset Co appreciates that SAPN are unlikely to be across the full technical details of our standards, specifications and designs, nor would SAPN be aware that the independent design consultant, Greenhill Engineers, engaged on this project is an accredited SAPN designer that is used widely in the development industry in South Australia. To assist the AER's understanding we have received feedback from Greenhill on SAPN's comments regarding Sustainable Asset Company's design and methodology (enclosed as appendix 1).

SAPN assert that they are aware the network does not include any redundancy on the LV side and asserting that customers could potentially be disadvantaged. We are unsure as to where or how these assertions have come from within SAPN, however we must note that they are inconsistent with our network design and installation methodologies. Please refer to appendix 1, where Greenhill clarifies the Sustainable Asset Company design methodology and rebut the assertion made by SAPN.

Further, SAPN again asserts that the connection types are limited to single phase only in the development. Again, we are unsure as to where or how these assertions have come from within SAPN, however this again is inconsistent with the approach we have taken within the development. Any customer that wishes to have 3 phase supply to their premises will have the ability to be serviced by three phase supply. Please refer to appendix 1, where Greenhill clarify the Sustainable Asset Company design methodology and rebut the assertion made by SAPN.

Should there be any further questions, please do not hesitate to contact the undersigned directly.

Yours Sincerely

Signer ID: ASZY2X9J10

Steve Hazelwood
Head of Sustainable Asset Co

[redacted]

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