

Contact Officer: Jim Wellsmore
Contact Phone: [REDACTED]

16 April 2024

Ms Debbie Voltz
Manager Regulatory Operations
SA Power Networks

Sent by email to: [REDACTED]

Dear Ms Voltz

Re: Application by SA Power Networks for a waiver from the Distribution Ring-fencing Guideline – Market Active Solar trial

Thank you for the application received on 2 January 2024 for a waiver from clause 4.2 functional separation obligations of the Distribution Ring-fencing Guideline (the Guideline), to enable SA Power Networks (SAPN) to undertake the Market Active Solar (MAS) in conjunction with two retailers.

SA Power Networks' Proposal

The waiver application is being sought to allow SAPN to run the MAS trial, in partnership with Simply Energy, AGL and ARENA. This will test and compare three integration models with different modes of blending retailer and network-led export signals to inverters owned by customers who use their customer energy resources to export to the network. The scope of waiver application is limited to services required for Model 3 of the MAS trial and for a period of 18 months commencing 1 July 2024.

To support the development of cost-effective approaches for Flexible Export Limits (FELs), SAPN has offered to share key learnings of the trial with stakeholders.

AER Assessment and Decision

The waiver would apply to clause 4.2 of the Guideline (offices, staff, branding and promotions).

Under the Guideline clause 5.3.2, before granting a waiver the AER must have regard to the National Electricity Objective (NEO), the potential for a distribution network to engage in cross-subsidisation of services and whether the costs of compliance with the Guideline outweigh the benefit to consumers of that compliance.

The MAS trial can be considered as furthering the NEO by investigating options for efficient investment in new services for customers and to support the energy transition. We note that the trial will have no have material impact on competition since it is limited to a small number of customers and for only 18 months. Further, we note that the intent of the trial is to inform DNSPs and retailers on least-cost approaches to implementing FELs which is expected to provide benefits to customers from the expected learnings from the trial.

SAPN has provided information on the funding of the MAS trial and the steps it will take to ensure that no costs for Model 3 are recovered from regulated customers. Finally, we consider the proposed waiver would not provide opportunities for SAPN to engage in discriminatory conduct owing to the limited scope of the trial.

The AER has received submissions from stakeholders concerning this waiver application and these were broadly supportive of the granting of the waiver as requested. One stakeholder questioned whether Model 3 is an example of 'network demand activity' and whether a ring-fencing waiver is required. Our view is that Model 3 for the proposed trial utilises unregulated services and our existing regulatory guidance indicates that a waiver would be needed by SAPN in order to test Model 3.

The AER has decided to grant a waiver of SAPN's obligation to comply with clause 4.2 of the Guideline for the period between 1 July 2024 to 31 December 2025. The waiver is granted on the basis that the assets and associated costs follow the cost allocation methodology presented in the application and subject to the conditions below.

Conditions

The AER requires that, post-trial, SAPN publishes the following information with respect to integration Model 3:

- a) Information on the total costs incurred by SA Power Networks on a monthly basis over the trial period;
- b) Data on customer enrolment and detailing monthly additions and removals over the course of the trial;
- c) Analysis of the correlation of network and retailer drivers for solar curtailment;
- d) Details of how the trial partners informed customers about export capacity allocations;
- e) The customer consent arrangements used for the trial.

SAPN will be required to comply with all other obligations in the Guideline, including in relation to information access and disclosure obligations (clause 4.3).

We note that the outcomes of the MAS trial may result in SAPN or other distributors wishing to adopt the approach of Model 3 for the development of future FELs services. We point out that any application in relation to longer-term arrangements for performing contestable services for flexible export limit communications would be considered by the AER as a separate matter and may be subjected to a full assessment process.

If you would like to discuss this matter further, or have any questions, please contact Jim Wellmore, A/g Director New Markets & Innovation by email at AERringfencing@ aer.gov.au or on [REDACTED].

Yours sincerely

[REDACTED]

Jarrold Ball
AER Board Member