

Our Ref: D17/93482

Mr John Pierce
Chairperson
Australian Energy Market Commission

By email aemc@aemc.gov.au

Dear Mr Pierce

Re: Consultation paper—Alternatives to grid supplied network services

The AER welcomes the opportunity to respond to the AEMC's consultation paper *National Electricity Amendment (Alternatives to grid-supplied network services) Rule 2017*.

The Western Power rule change request relates to the use of distributor provided stand-alone power systems, or micro grids, to service remote communities. Stand-alone systems are already in use in parts of Australia and their applicability is expected to grow as unit costs decline, both in absolute terms and relative to the cost of providing network services through the interconnected network.

Western Power's rule change proposal is, however, cast relatively narrowly in that it deals only with one model for delivery of network services by stand-alone systems—the distributor led model. More particularly, the intended effect of this rule change would be to allow a distributor to provide services to their existing customers by means of alternative delivery technology not connected to the grid, but to be regulated as if it was.

As canvassed by the COAG Energy Council's Energy Market Transformation Project Team in its August 2016 Discussion paper, the distributor led model is only one of several possible models for delivery of stand-alone power systems.¹ Alternatives include delivery by municipal bodies, such as a regional council, or a co-op model where individuals or companies cooperatively own and manage a stand-alone system.

Our Energy Council submission details our views on a range of network, retail and customer protection issues raised by the wider scale use of stand-alone systems—see attached.² While I will not re-state our Energy Council submission here, I note that many of those issues relate both to the distributor led model as well as other delivery models. The broader issues raised by the COAG Energy Council's review of stand-alone networks includes whether such systems should be regulated in a similar way to grid-connected networks, what sort of consumer protections are appropriate, whether there should be access to retail competition and other safeguards around customer consent and choice.

¹ COAG Energy Council, Energy Market Transformation Project Team, *Stand-alone energy systems in the Electricity Market, Consultation on regulatory implications*, 19 August 2016.

² AER, *Submission on stand-alone energy systems in the electricity market – consultation on regulatory implications*, October 2016.

The Energy Council's Energy Market Transformation work program, which is ongoing, is intended to determine whether existing NEM regulatory frameworks should apply to stand-alone energy systems and what other competition and consumer safeguards are appropriate.

Subject to the Energy Council's findings, a range of regulatory changes may result. Such changes may impact the AEMC's consideration of the Western Power rule change proposal. Accordingly, it would be premature to make any changes to the NER, as sought by Western Power, until this further work by EMTPT is progressed sufficiently so that Western Power's rule change proposal or any other similar rule changes can be considered in this broader context rather than in isolation. We would be pleased to discuss our submission with you. Please contact Chris Pattas, General Manager, Networks on 03 9290 1470 or at chris.pattas@aer.gov.au.

Yours sincerely



Paula Conboy
Chair

Sent by email on: 17 July 2017