

31 July 2020

Senior Committee of Officials  
COAG Energy Council



Lodged electronically

Dear Sir or Madam,

### **Submission to Stand-Alone Power Systems Priority 1 Legislative Amendments**

The Public Interest Advocacy Centre (PIAC) is an independent, non-profit legal centre based in New South Wales. Established in 1982, PIAC tackles systemic issues that have a significant impact upon people who are marginalised and facing disadvantage. We ensure basic rights are enjoyed across the community through litigation, public policy development, communication and training. The Energy + Water Consumers' Advocacy Program represents the interests of low-income and other residential consumers, developing policy and advocating in energy and water markets.

PIAC welcomes the opportunity to respond to the Stand-Alone Power Systems (SAPS) Priority 1 Legislative Amendments.

As noted in earlier submissions to the AEMC, PIAC supports Distribution Network Service Providers (DNSPs) being able to transfer existing customers onto SAPS supply where it is a more efficient and preferable option to retaining traditional grid-connected supply.

PIAC supports the intent of the proposed legislative amendments and the AEMC's proposed package of reforms as a whole but there are particular issues that warrant further consideration. These issues may prevent the option to transfer to SAPS-supply being used even if it is efficient and the customers' quality of service remains appropriate.

#### **Concerns with the AEMC model in general**

PIAC has engaged throughout the AEMC's review process for SAPS but continues to hold concerns with aspects of the proposed model, which may prevent the benefits of DNSP-led SAPS from eventuating.

- Generation costs and settlement model – we continue to question the AEMC's proposed treatment of SAPS generation prices, as it arbitrarily links them to NEM spot prices even though there is no causal link between them. This model discourages retailers from taking on SAPS customers, dilutes the effectiveness of any retail tariff provided to the customer and creates an unnecessary wholesale spot price exposure for the retailer.
- Provider of last resort – PIAC considers it important that a framework exists for SAPS retail services to be provided, or continue to be provided, where there is no viable competitive provider available. In such a case, the DNSP should be able to provide all of the SAPS services including, effectively, a retailer of last resort with a regulated low price to ensure the customer is not paying more than they would for a traditional (non-SAPS) supply. While we do not consider it would be a common occurrence,

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having such a fall-back arrangement means the efficient and prudent transition of customers to SAPS-supply is not dependent on a retailer.

These issues are described in more detail in our submissions to the AEMC's reviews of SAPS including Attachment 1.

PIAC acknowledges that many of these issues will need to be resolved in the more detailed Rules and Guidelines drafting stage rather than through the proposed legislative amendments.

### **Proposed definition of regulated SAPS in the Law**

PIAC considers that the proposed definition for regulated SAPS may be unnecessarily narrow and restrict the efficient use SAPS by DNSPs.

Including the term "distribution system" within the definition of regulated SAPS is circular, since the new definition of distribution system will include "a regulated SAPS to the extent provided by the Rules".

If it is intended to reference the existing part of the definition of distribution system<sup>1</sup>, this may limit the definition of regulated SAPS to network equipment. This would exclude other components of a SAPS such as generation and storage.

### **Post-implementation review**

PIAC recommends that the reforms to enable DNSP-led SAPS should be reviewed after implementation and consider factors including: the experience of customer engagement, the quality of supply and reliability, and the practical experience of DNSPs and retailers in transitioning and maintaining SAPS customers.

The insights from this review may require changes to the NEL, Rules, jurisdictional requirements, AER Guidelines, ring-fencing waivers and DNSPs' policies and practices.

### **Continued engagement**

PIAC would welcome the opportunity to meet with Officials and other stakeholders to discuss these issues in more depth.

Yours sincerely,

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**ATTACHMENT 1:** PIAC, Submission to draft rules for distributor-led Stand-Alone Power Systems, February 2020.

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<sup>1</sup> "the apparatus, electric lines, equipment, plant and buildings used to convey or control the conveyance of electricity that the Rules specify as, or as forming part of, a distribution system."