



Mr Adam Wilson
Chief Executive Officer
Essential Services Commission of South Australia
GPO Box 2605
ADELAIDE SA 5001

Inquiry into Small-Scale Water, Sewerage and Energy Services – Issues Paper

Dear Mr Wilson

I refer to your letter dated 16 August 2016 to the Treasurer, the Hon Tom Koutsantonis MP, regarding the Commission's Inquiry into Small-Scale Water, Sewerage and Energy Services – Issues Paper. The Treasurer has asked that the Energy Markets and Programs Division of the Department of State Development consider the matters raised in the Paper.

Firstly, I would like to thank the Commission for opportunity to comment on the Issues Paper. As you are aware the energy sector is currently undergoing a major transition, driven by changing technologies, increasing consumer engagement and new business models. While the changes being experienced are expected to benefit customers, it is important to ensure that an appropriate regulatory framework is in place to deal with important matters such as consumer protection issues, planning and reliability.

Given this, the COAG Energy Council has also commenced a work program to consider the policy and regulatory response to addressing key issues in the electricity market relating to new technology, innovation and market change. This work program will ensure a successful transition of the electricity market and ensure the regulatory frameworks are fit for purpose to cope with the effects of emerging technologies, such as batteries, and to enable consumers to benefit from innovative services while mitigating any risks.

Establishing an appropriate regulatory framework for stand-alone energy systems is considered a key work stream in this program. As you are aware, in general stand-alone energy systems are currently not captured under the national frameworks, but as these types of systems may become more prevalent in the future, consideration of an appropriate regulatory framework is important.

Energy Markets and Programs

Level 8, 11 Waymouth St, Adelaide SA 5000 | GPO Box 320, Adelaide SA 5001 | DX 541
Tel 08 8226 5500 | Fax 08 8226 5523 | Email statedevelopment@sa.gov.au
www.statedevelopment.sa.gov.au | ABN 83 524 915 929

On 19 August 2016 the Council released a consultation paper on stand-alone energy systems in the electricity market to commence consultation on whether there is value in regulating stand-alone systems under the national framework, and if so how this should occur. A stakeholder forum was also held on 6 September 2016, which I understand officers from the Commission attended.

A number of key matters regarding stand-alone energy systems were raised at this initial stage of the consultation, with further detail expected in submissions due on 4 October 2016.

One of the matters discussed at the forum was access to consumer protections. Protections such as access to dispute resolution procedures and hardship schemes are available to grid-connected consumers, and many participants considered these to be important matters for consideration for a future stand-alone framework.

The appropriate levels of information that should be provided to customers considering purchasing stand-alone energy systems was also a common matter raised during the forum. The availability of information was also considered important for customers moving in to properties with existing stand-alone systems.

Discussion also focussed on potential reliability and technical standards that may apply to stand-alone energy systems. While standards apply to customers connected to the interconnected national electricity system, one of the advantages of stand-alone energy service models is the potential for customers to determine their own levels of reliability traded off against a price. There could be significant cost to these customers if settings were aligned to the levels applicable to the NEM.

Officials will be considering these matters, as well as all others raised during consultation, before providing further advice to Ministers at the end of year COAG Energy Council meeting.

Findings from the Commission's Inquiry will provide important contributions to the work being undertaken nationally, and will be essential in improving South Australian arrangements as the energy market continues to transform if a nationally consistent approach to stand-alone systems is ultimately deemed unnecessary.

I thank you again for the opportunity to provide comment on the Commission's Inquiry. Should you have any questions in relation to this submission, please contact Ms Rebecca Knights, Director – Energy Markets on (08) 8226 5500.

Yours sincerely



Vince Duffy

EXECUTIVE DIRECTOR

30 September 2016