



**Government
of South Australia**

Department for
Energy and Mining

Our Ref: D19105103

17th September 2019

Mr Sean McComish
Director Advisory and Research
Essential Services Commission of South Australia
GPO Box 2605
ADELAIDE SA 5001

Via Email: Sean.McComish@sa.gov.au

Small-scale Networks Inquiry – Framework and Approach Paper

Dear Mr McComish,

I refer to the invitation received by our division to provide submissions on the Small-scale Networks Inquiry – Framework and Approach Paper.

The Energy and Technical Regulation Division (the Division) of the Department for Energy and Mining (DEM) is encouraged by the level of satisfaction of small-scale network customers identified by the Commission. Noting this, it supports the consideration of regulatory alternatives which may further increase benefits to customers by reducing the level of prescription on small-scale network providers. If this results in tangible benefits for service providers and their consumers then the Division encourages the Commission to explore these options.

The trust-verify model proposed by the Commission appears to provide an appropriate transition towards more light-handed regulation. This approach rewards those small-scale network providers who have consistently been operating in an effective manner, while maintaining flexibility to preserve, or expand, a necessary level of oversight for those who are not. It also allows the Commission to harmonise regulation between and within industries where further benefits may result. The approach also provides benefits by enabling the Commission's efforts to be better focussed on those small-scale network providers who are not providing good outcomes for their customers – those who are not 'trusted'. Option 4, which combines the trust-verify model and harmonisation between and within industries is the preferred proposed framework.

Energy and Technical Regulation Division

L8, 11 Waymouth St, Adelaide 5000 | GPO Box 320 Adelaide SA 5001 | DX452
| www.energymining.sa.gov.au |





**Government
of South Australia**

Department for
Energy and Mining

The Division also supports all small-scale network providers having access to a dispute resolution mechanism in a consistent manner. As noted in the Commission's Frameworks and Approach paper, many small-scale network providers currently nominate Ombudsman SA as their independent dispute resolution body. Ombudsman SA cannot resolve disputes to the extent EWOSA can, as such we support all small-scale network providers becoming members of EWOSA.

Under the proposed approach greater emphasis will be placed on the Commission's ad-hoc auditing of small-scale network providers to ensure they are operating effectively, and if not, more prescriptive obligations being re-introduced. If audits reveal effective operations, the small-scale network provider would continue enjoy the benefits of the light-handed approach, with benefits potentially flowing on to its customers. Requiring all small-scale network providers to become members of EWOSA will also assist with this as the Commission will only be monitoring complaints made to, and assessed by, one body.

As you would be aware the Division manages the Remote Area Energy Supply (RAES) scheme on behalf of the Minister for Energy and Mining. As identified in the paper the RAES scheme covers around 60% of small-scale off-grid electricity network customers either directly (via a service contract with Cowell Electric Supply Pty Ltd) or indirectly through subsidies provided to independent operators.

From the perspective of a service provider, any steps to minimise the regulatory burden on small-scale network providers by ensuring regulation is effective, targeted and fit for purpose are welcomed.

As the Division is also responsible for the technical regulation and oversight of the electricity industry through the Office of the Technical Regulator (OTR) we do note that any proposed reductions in regulatory oversight and reporting must be weighed against the ability to effectively regulate electricity generation and distribution providers to ensure the safety of customers and service providers. Consideration of the appropriate reductions in regulation will therefore be important.

The OTR is also responsible for the technical regulation of the water industry through performance monitoring of the water industry. There are elements of regulatory performance for reliability that are of interest for ESCOSA from a customer outcome perspective, and also of interest for OTR from a safety and reliability perspective. ESCOSA is currently requesting information on unplanned interruptions, water main breaks, sewerage main breaks and chokes, which is useful for the OTR. The proposed trust-verify approach may result in certain aspects of current ESCOSA reporting requirements being no longer required by ESCOSA, which could result in the OTR requesting this information from water entities instead.





**Government
of South Australia**

Department for
Energy and Mining

I understand that the Commission has proposed the establishment of a reference group to provide expert advisory assistance to the small-scale networks inquiry. Noting the above, I am happy to make available representatives from the Energy and Technical Regulation Division to be involved in the working group.

If you have any further queries, please contact Chris Leverington, Senior Policy Officer, at chris.leverington@sa.gov.au or 8429 3298.

Yours sincerely

A handwritten signature in blue ink, appearing to read "V. Duffy".

Vince Duffy

**EXECUTIVE DIRECTOR
Energy and Technical Regulation Division
Department for Energy and Mining**

