



# **Clean Energy Council submission to the Essential Services Commission of South Australia draft decision on the SA Power Networks 2020 reliability standards review**

## **Executive Summary**

The Clean Energy Council (CEC) welcomes the draft decision of the Essential Services Commission of South Australia (ESCoSA) review of SA Power Networks reliability standards.

The CEC is the peak body for the clean energy industry in Australia. We represent and work with hundreds of leading businesses operating in solar, wind, hydro, bioenergy, marine and geothermal energy, energy storage and energy efficiency along with more than 5,000 solar installers. We are committed to accelerating the transformation of Australia's energy system to one that is smarter and cleaner.

The CEC supports the development of regulations to implement an appropriate regime of energy-specific consumer protections (including reliability standards) for customers served by a microgrid supply. We welcome ESCoSA's recommendation that for the 2020-2025 period, network reliability performance standards will be applied to ten region-based categories and that this would accommodate the performance of off-grid supply if it becomes a regulated distribution service under the national regulatory regime. We note that for the 2020-2025 period targets will be set to maintain reliability at current levels, rather than reduce or improve performance.

We would be very happy to discuss these issues in further detail. We would also urge representatives of ESCoSA to discuss this proposal with their counterparts at AEMC to ensure that what is being proposed would be consistent with potential changes to the national regulatory regime to enable use of off-grid supply as a regulated distribution service. We look forward to contributing further to this important area for policy development.

## **Opportunities for significant cost savings**

In future microgrids will play an increasingly important role in delivery of electricity supply. The Australian Energy Market Commission (AEMC) in its determination in response to a rule change proposal by Western Power gave in-principle support to allowing network service providers to provide microgrid or off-grid supply as a distribution service, which could then be subject to economic regulation. The Australian Competition and Consumer Commission (ACCC) has also given its support to this idea.

The National Electricity Rules do not permit network service providers to provide electricity to customers from microgrid or off-grid supply as a distribution service. This denies customers the benefits of delivery of not only the most cost-effective services, but also potentially more reliable and safe services. In many cases it will be cheaper to provide off-grid supply than to maintain and replace long power lines linking remote customers to the national grid. Moving to off-grid supply could potentially offer additional benefits such as improved reliability for remote customers and reduced bushfire risks.

Remote customers with an existing grid connection have no incentive to move off-grid on their own, as they do not face the full costs of maintaining the network assets, which are spread across all customers. An off-grid solution is only likely to eventuate if undertaken by the network service provider as an economically regulated service.

The total potential savings across the National Electricity Market are unknown but would be very significant. Of note are the following estimates of savings from providing off-grid power supply compared to the cost of replacing existing network assets:

- Western Power estimates a net benefit of \$388 million from providing off-grid power supply to 2,702 candidates on its network, and
- Essential Energy estimates a \$513 million saving from supplying off-grid power to up to 8,430 customers.

## **Importance of customer protections**

The AEMC has pointed to the importance of reliability standards to ensure that customers continue to have access to reliable electricity supply in the event that network service providers are permitted to provide microgrid or off-grid supply as a distribution service.

The CEC agrees with the AEMC's observation that customers should not be expected to move to off-grid supply unless it is offered to them at a price, and with protections, similar to those for electricity supplied via the national grid. The region-based approach to setting reliability standards should ensure that this is the case.

We hope that in future rural customers can receive more reliable electricity supply and that reliability requirements are tightened. Microgrid solutions can already meet and exceed the reliability standard currently required of long rural feeders in South Australia. The microgrid industry looks forward to out-competing long rural feeders on the basis of better reliability.