



# Clean Energy Council submission to the Essential Services Commission of South Australia Small-scale Networks Inquiry

## Executive Summary

The Clean Energy Council (CEC) welcomes the opportunity to provide input to the Draft Inquiry Report for the Essential Services Commission of South Australia (ESCoSA) Small-scale Networks Inquiry.

The Clean Energy Council is the peak body for the clean energy industry in Australia. We represent and work with Australia's leading renewable energy and energy storage businesses, as well as rooftop solar installers, to further the development of clean energy in Australia. We are committed to accelerating the transformation of Australia's energy system to one that is smarter and cleaner.

In this submission the CEC will provide feedback in relation to the regulatory framework for off-grid electricity, which includes individual power systems (IPSs) and microgrids that are not connected to the national interconnected electricity grid. We will not provide feedback on regulatory frameworks for water, sewerage or reticulated gas networks.

The CEC supports the proposed changes to the current regulatory framework:

- Introducing a verified trust and accountability regulatory model (VTA model) – including regulatory reporting requirements
- Harmonisation of industry codes and guidelines, and
- Mandatory Energy and Water Ombudsman SA membership.

We strongly support the Commission's recommendation that the Energy and Water Ombudsman SA (EWOSA) should be the independent dispute resolution body where a customer's complaint is not resolved by the microgrid licensee. The approach proposed by ESCoSA is consistent with the recommendations of the Australian Energy Market Commission (AEMC) review of regulatory frameworks for stand-alone power systems. The AEMC review pointed out that SA consumers who move off-grid would currently lose their energy-specific consumer protections under the National Energy Customer Framework (NECF), even if they are supplied by an authorised retailer.

We question whether the inclusion of a joining fee and fixed annual fees is the best way to achieve ESCoSA's policy objectives. While we understand the need for cost-recovery, we would prefer that costs be recovered through complaint handling fees. This approach will place the financial obligation on licensees in proportion to the complaints they generate. A fixed fee would not provide the same degree of financial incentive. By recovering most costs through complaint handling fees, licensees will be incentivised to reduce mistakes and customer complaints so that they can keep such costs low. The Commission should also take every action to ensure that licensees avoid using monopoly power to pass complaint handling costs directly to the customers.

The CEC supports the proposed new VTA regulatory model and harmonisation of code and guidelines within the industry. The VTA model seems like a reasonable approach provided the Commission can closely monitor Trusted category A licence to verify that the proposed reduction in reporting does not lead to a reduction in compliance. The CEC also supports the proposed harmonisation of code and guidelines within the industry, which is likely to increase the level of compliance and transparency. However, we remain unconvinced of the merits of harmonisation of code and guidelines between industries and we would urge the Commission to ensure that this does not lead to unintended complexity and imposition of unnecessary costs on licensees and consumers.

We have provided additional detail on the consultation questions in the remainder of this submission. We would be very happy to discuss these issues in further detail. We look forward to contributing further to this important area for policy development.

## Questions for consultation

### **Do stakeholders have any fundamental concerns with the proposed regulatory framework as outlined, noting that its proposed implementation is discussed in subsequent chapters?**

There should be a standard reporting method within the industry. However, having a standard reporting between industries could be unnecessarily complicated due to differences in regulations in the three industries.

### **Would reporting by Trusted A category licenses be enough to improve compliance in the industries?**

The existence of Trusted A category licenses will not, of itself, be enough to improve compliance. The Trusted A category licensees should satisfy the following requirements as outlined in the draft inquiry report:

- Demonstrate competent operation with minimal preparation at any time, such as through audits.
- Commit to providing relatively immediate ('real time') information regarding any material service issue arising, the response and the outcome.

### **Is the assessment process for categorising licensees appropriate? If not, why not, and how might it be improved?**

The Commission should ensure that reduced reporting of Trusted category A licensees does not lead to reduction in compliance by carrying out regular audits.

### **Should the Commission publish results of its assessments, as proposed by maintaining a list of licensees that do not demonstrate a competent operation to the Commission's satisfaction?**

Yes. We urge the Commission to maintain and publish on its web site a list of licensees that breach compliance requirements.

### **Are the reduced reporting requirements for Category A licensees appropriate? If not, what should reporting requirements look like?**

The reduced reporting requirements for Trusted category A licensees are appropriate only if the Commission can satisfy itself that compliance will not decrease as a result. This could be verified using regular audits.

### **Are the proposed checks and balances – assurance statement, audits and compliance – appropriate?**

Yes, the proposed checks and balances seem appropriate.

### **What information should be reported in annual performance reports? For each piece of information, who should report this information, the Commission or licensees, and why?**

Annual performance reports should include compliance reporting in terms of breaches of regulations, codes and guidelines, performance and customer complaints. Both the licensees and ESCoSA should have separate reports on these.

### **Should the Commission undertake harmonisation? If not, why not?**

The CEC supports the proposal to harmonise codes and guidelines within the industry. We do not have a detailed understanding of the codes and guidelines applying to small-scale water and sewerage networks and the benefits of harmonising between the industries are unclear. There is a risk that harmonisation between industries could lead to unnecessary complexity of regulations which might increase unnecessary cost to licensees and consumers. We urge the Commission to be mindful of this

risk. If the decision is made to proceed with harmonisation across industries, we would urge the Commission to ensure that this does not lead to unintended complexity and imposition of unnecessary costs on licensees and consumers.

**If harmonisation is undertaken, how important is it that the timing for the implementation of any outcomes from harmonisation align with the implementation of the VTA model?**

It is not necessary to implement harmonisation of code and guidelines at the same time as implementation of VTA regulatory model.

**Do you support the proposed role of EWOSA as outlined in this chapter? If so, please provide the reasons for this view.**

The CEC strongly supports the Commission's recommendation that the EWOSA should be the independent dispute resolution body where a customer's complaint is not resolved by the microgrid licensee. The approach proposed by ESCoSA is consistent with the recommendations of the AEMC review of regulatory frameworks for stand-alone power systems. The AEMC review pointed out that SA consumers who move off-grid would currently lose their energy-specific consumer protections under the NECF, even if they are supplied by an authorised retailer. We would be very concerned if customers in SA were to lose their energy-specific consumer protections when they move off-grid. If not addressed, this could become a barrier to the adoption and support for microgrids as a means of electricity supply.

**If not, why not? What approach would you prefer and why would that provide a better outcome?**

While we understand the need for cost-recovery, we would prefer that costs be recovered through complaint handling fees. This approach will place the financial obligation on licensees in proportion to the complaints they generate. A fixed fee would not provide the same degree of financial incentive. By recovering most costs through complaint handling fees, licensees will be incentivised to reduce mistakes and customer complaints so that they can keep such costs low. The Commission should also take every action to ensure that licensees avoid using monopoly power to pass complaint handling costs directly to the customers.