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Ms Georgina Lawrence  
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By email: [georgina.lawrence@escosa.sa.gov.au](mailto:georgina.lawrence@escosa.sa.gov.au)

22 April 2021

Dear Georgina,

### **Authorisation of Virtual Power Plant operations consultation**

AGL welcomes the opportunity to comment on the Essential Services Commission of South Australia (**ESCOSA**) consultation on the authorisation of Virtual Power Plant (**VPP**) operations. AGL is one of several VPP operators currently participating in the Australian Energy Market Operator's (**AEMO**) Demonstrations program, subject to the ESCOSA exemption that is set to expire on 30 June 2021.<sup>1</sup>

ESCOSA is seeking feedback on potential extension and/or variation of the current exemption, and on appropriate electricity generation licensing conditions for VPP operators.

AGL supports continuing the exemption for VPP operators until such time as an appropriate generation licensing framework is developed and agreed upon. As ESCOSA notes, extending the exemption could accommodate the development of local and national policy responses on managing distributed energy resources (**DER**).

Regarding variation of the current exemption, our view is that its scope should be extended beyond enrolled AEMO Demonstrations program participants and apply to any VPP currently operating in South Australia (**SA**). Should ESCOSA extend the exemption to only cover AEMO Demonstrations program participants, this could lead to a mismatch in regulatory coverage between the two "classes" of VPP operators.

Should VPP operators who are not subject to the exemption instead apply for a generation licence, the conditions placed on exempt and licensed VPP operators should align, to provide a level playing field and regulatory certainty. Our view is that it would be preferable to subject all VPP operators to the same conditional exemption until such time as an appropriate licensing regime is developed.

On this point, ESCOSA is seeking stakeholder input on proposed conditions for VPP licences and for the varied exemption. The proposed conditions are much the same as those applying to traditional, larger generators in SA.

We have previously stated our view that VPPs and other emerging technologies are not easily accommodated by existing regulatory frameworks, given these frameworks did not envisage such models or systems. Accordingly, artificially moulding the current SA generation licence conditions to govern VPPs is not our

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<sup>1</sup> AGL's VPP is participating in the AEMO Demonstrations through a subsidiary entity, AGL South Australia Pty Limited (ABN 49 091 105 092).



preferred approach, as the conditions were never intended to cover VPPs or other kinds of DER. Our specific comments on the conditions are in the Appendix.

Along with providing appropriate regulatory protection for South Australian consumers, which ESCOSA notes in the consultation paper, we consider that the licensing conditions imposed should be guided by the following principles:

- Ensuring safety risks are effectively managed through appropriate, fit-for-purpose controls;
- Ensuring risks are managed by the party best able to manage them; and
- Avoiding duplication where risks are effectively managed through existing regulations and/or technical standards.

AGL is keen to engage with ESCOSA on the potential development of fit-for-purpose requirements for VPPs. Should you wish to discuss any aspect of this submission, please contact Liz Gharghori on (03) 8633 6723 or [lgharghori@agl.com.au](mailto:lgharghori@agl.com.au).

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Con Hristodoulidis'.

Con Hristodoulidis

**Senior Manager Regulatory Strategy**



## Appendix

### Feedback on proposed licence conditions

- 5 Access:
  - Most VPP sites are residential premises, where the VPP operator does not have physical control of, or access to the site.
  - The model standing offer for connection services (connection agreement) between the customer and the distributor contains provisions dealing with access to the site.
  - We query whether it is appropriate to impose a licence condition on a VPP operator, where:
    - they may not be the most appropriate party to be subject to that obligation, given the lack of physical control/site access; and/or
    - another party connected to the site is already subject to a contractual or regulatory obligation.
  
- 6 Dispute resolution:
  - Please refer to licence condition 5.
  
- 8 Safety, reliability, maintenance and technical management plan (**SRMTMP**):
  - The connection agreement places obligations on a customer to meet certain technical and safety requirements.
  - Where the customer's safety and technical obligations overlap with the SRMTMP requirements, ESCOSA should consider whether it is appropriate to place overlapping obligations on the VPP operator, particularly given the latter does not have physical control of, or physical access to the site.
  - The Office of the Technical Regulator (**OTR**) should also be consulted on the relevance of this licence condition to VPPs.
  
- 9 Switching manual:
  - The connection agreement places obligations on a customer to ensure the site has automatic disconnection equipment. This is somewhat akin to the switching manual requirement on generators.
  - As with the SRMTMP, ESCOSA should consider whether it is appropriate to place such obligations on the VPP operator, who does not have physical control of, or physical access to the site.
  - The OTR should also be consulted on the relevance of this licence condition to VPPs. While we note the existing SA technical standards, which impose obligations for remote connection and disconnection on solar generating plant, we do not consider these should be applied to VPP operators more broadly as we anticipate this standard being superseded by the introduction of dynamic export limits that are likely to provide a more fit-for-purpose approach to managing risk.
  
- 17 Compatibility:
  - The connection agreement places obligations on a customer to meet certain technical and safety requirements.
  - To the extent of any overlap between the customer obligations and this licence condition, ESCOSA should seek to minimise regulatory duplication and ensure any regulatory or contractual obligations sit with the party best able to manage that obligation.