

SCENTRE GROUP

1 June 2021



Adam Wilson
Chief Executive Officer
Essential Services Commission
Level 1 / 151 Pirie Street
Adelaide SA 5000

By email: licensing@escosa.sa.gov.au

Dear Mr Wilson,

Electricity Act 1996 (SA): Application for an Individual Exemption (Generation)

Scentre Shopping Centre Management (SA) Pty Ltd (**SSCM**) seeks to apply for an exemption from the requirement to hold a generation licence which is required under section 22 of the *Electricity Act 1996* (SA) (**SA Electricity Act**) for the generation of electricity at the Westfield Marion Shopping Centre.

1. **Background and current licence**

1.1 SSCM holds a current generation licence pursuant to Part 3 of the SA Electricity Act which was issued on 14 December 2017 (**Generation Licence**) (refer to Attachment 4). The licence permits SSCM, subject to the licence conditions, to generate electricity from nine 60kW solar photovoltaic inverters with a combined maximum nameplate capacity of 540kW at Westfield Marion Shopping Centre, which is located at 297 Diagonal Road, Oaklands Park, South Australia (the **Site**). Details of the generator and the Site are set out in Attachment 1 to Attachment 3.

1.2 The Generation Licence conditions require SSCM to:

- (a) grant to network service providers rights of access to the electricity generating plant to the extent the plant interconnects or interfaces with the network service provider's assets;
- (b) ensure compliance with:
 - (i) all applicable provisions of the Electricity Transmission Code, the Electricity Distribution Code and the Electricity Metering Code, and notify the Commission if it commits a material breach under these Codes; and

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- (ii) all applicable provisions of any other industry code or rule made by the Essential Services Commission established under the *Essential Services Commission Act 2002 (SA)*;
- (c) implement a safety, reliability, maintenance and technical management plan, and audit and report to the Technical Regulator to demonstrate it is complying with that plan;
- (d) comply with the conditions of any registration required under the *National Electricity Rules* granted by the Australian Energy Market Operator (**AEMO**) (or the person responsible for the granting of such registrations under the *National Electricity Law* or the *National Electricity Rules*);
- (e) provide information to AEMO upon request and comply with any directions given to it by the System Controller;
- (f) notify the Commission of any changes to its officers or shareholders;
- (g) satisfy ongoing audit and reporting requirements at frequency as approved by the Commission;
- (h) undertake and maintain insurances during the term of the licence; and
- (i) comply with all applicable laws and any technical or safety requirements and standards.

2. **Scentre Group - About Us**

- 2.1 Scentre Group Limited, parent company of SSCM, owns and operates retail real estate assets in both Australia and New Zealand, our primary business being the operation of various shopping centres across Australia. Specifically, Scentre Group Limited owns and operates 42 Westfield shopping centres across Australia and New Zealand.
- 2.2 Within those Westfield shopping centres, Scentre Group Limited operates embedded renewable generation and embedded networks to supply our tenants with electricity for their businesses, however, this is not our core business.

3. **Regulatory framework**

- 3.1 The applicable laws that relate to the generation of electricity in South Australia are:
 - (a) the *National Electricity Law, Rules and Guidelines* (generation and networks);
 - (b) the SA Electricity Act; and
 - (c) the *Electricity (General) Regulations 2012 (SA)* (**SA Electricity Regulations**).

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National Framework

- 3.2 It is a requirement under rule 2.2.1(a) of the *National Electricity Rules* for a person to register as a Generator with AEMO if that person is engaging in the activity of owning, controlling or operating a generating system connected to a transmission or distribution system, unless an exemption applies.
- 3.3 Under rule 2.2.1(c) of the *National Electricity Rules*, AEMO may exempt a person or class of persons from the requirement to register as a Generator. Exemptions from the requirement to register as a Generator may be granted under the *National Electricity Law* and *National Electricity Rules* based on either the characteristics of the generating system (nature, size, type and operation), or on the registration of an intermediary as the Generator. The AEMO Guidance Note "Guide to Generator Exemptions and Classifications of Generating Units" (effective from 1 February 2021) clarifies the exemptions which AEMO may grant to a Generator as follows:
- (a) standing exemptions are available to persons who own, operate or control a generating system with a nameplate rating of less than 5MW when fully connected to a transmission or distribution system;
 - (b) applications for exemptions may be made by persons who own, operate or control generating systems (other than those that include battery storage facilities) with a nameplate rating of at least 5MW but less than 30MW;
 - (c) applications for exemptions may be made by persons who own, operate or control generating systems with a nameplate rating over 30MW:
 - (i) if the purpose for which the exemption is sought is the provision of unscheduled reserve in accordance with an unscheduled reserve contract; or
 - (ii) for existing generating systems in exceptional circumstances at AEMO's absolute discretion; and
 - (d) temporary notifiable exemptions may be available to persons who own, operate or control generating systems to which no other exemptions apply, during initial testing and commissioning where the aggregate nameplate rating of the connected generating units is less than 5MW at any time.
- 3.4 As the capacity for the generating unit at the Site is 540kW, it is well below the standing exemption limit and therefore SSCM relies on the standing exemption at the national framework level.

South Australian Framework

- 3.5 Section 22 of the SA Electricity Act requires that a person seeking to generate electricity must first obtain a generation licence (that is, unless an exemption applies).

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3.6 Regulation 15 of the SA Electricity Regulations prescribe standing exemptions from the requirement to hold a licence under the SA Electricity Act, as follows:

15 - Exemptions from requirement to be licensed

- 1) *A person who carries on operations in the electricity supply industry (the operator) is exempt from the requirement to hold a licence under the Act authorising the operations if the electricity in relation to which the operations are carried on is only for the consumption of 1 or more of the following:*
 - a) *the operator;*
 - b) *a designated body;*
 - c) *a person at premises occupied or used by the person as a tenant or licensee (whether directly or indirectly) of the operator or a designated body where that person is not charged for the supply of electricity except by an electricity entity or as an unspecified part of rent or charges for the occupation or use of the premises.*
- 2) *A person who carries on the generation of electricity is exempt if the requirement to hold a licence under the Act authorising the operations if:*
 - a) *the generating plant has rated a nameplate output of 100 kVA or less; or*
 - b) *the person does not supply electricity for reward to or by means of a transmission or distribution network.*
- 3) *A person who carries on operations as an inset network operator or inset network retailer is exempt from the requirement to hold a licence under the Act authorising the operations on the condition that an inset customer must have an effective right of access to a licensed retailer of the customer's choice.*

...

3.7 These exemptions do not apply to SSCM for the following reasons:

- (a) with respect to regulation 15(1) of the SA Electricity Regulations, SSCM would not be exempt from the requirement to hold a generation licence because SSCM on-sells the electricity generated at the Site and charges the Site's tenants for the supply of such electricity;
- (b) with respect to regulation 15(2) of the SA Electricity Regulations, the generating unit exceeds the 100kVA limit; and
- (c) with respect to regulation 15(3) of the SA Electricity Regulations, SSCM does not carry on operations as an inset network operator or inset network retailer in relation to its operations at the Site.

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- 3.8 Therefore, SSCM is not automatically exempt under regulation 15 of the SA Electricity Regulations from being required to apply for a generation licence in respect of its generation activities on the Site.
- 3.9 However, section 80(1) of the SA Electricity Act provides that the ESCOSA (with the approval of the Minister) may grant an exemption from the requirement to hold a generation licence on terms and conditions the ESCOSA considers appropriate.
- 3.10 Whilst SSCM currently holds a generation licence for its 540kW generation activities, this is a regulatory burden that is disproportionate to the size of the generation activities, and amongst other things places an overly onerous compliance burden on SSCM and does not add any significant customer protections over and above those already provided under the laws governing the on-supply and retailing of electricity in embedded networks.
- 3.11 Accordingly, SSCM hereby applies for the grant of an individual exemption pursuant to section 80(1) of the SA Electricity Act from the requirement to hold a generation licence for its 540kW generating unit located on the Site.
- 3.12 SSCM notes that there is no specified form of application for an individual exemption under section 80 of the SA Electricity Act. For that reason, SSCM has sought to include relevant and useful information in this application letter and attachments. If further information is required or you require a specific format, please let us know and provide us with an opportunity to provide that information to you.

4. **Reasons why an individual exemption is appropriate in the circumstances**

- 4.1 Details in relation to the generating unit are set out in Attachment 1.
- 4.2 This solar system was originally installed to mitigate the need to increase incoming supplies from SA Power Networks as part of an expansion at the Site. Between 2019 and 2020 the system has generated almost 2GWh of renewable electricity (approximately equivalent to the usage for 90 homes).

Generator registration subject to unnecessary duplication

- 4.3 The capacity of the generating unit at the Site at 540kW falls significantly under the 5MW standing exemption limit that applies under the *National Electricity Rules*. In other jurisdictions in Australia there are no additional State based requirements to hold a generation licence for renewable generating systems of this size.
- 4.4 The current arrangement in South Australia for SSCM to hold a generation licence for this size of renewable generator means that it is requiring SSCM to hold a generation licence for a size of generator that the State has already agreed under the *National Electricity Law* scheme legislation to be sufficiently small in size to be exempt.
- 4.5 Further to this, due to the small size of the generator and the nature of its use (for internal purposes within the Site and no electricity exported), an individual exemption would not

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undermine ESCOSA's efforts to protect South Australians from technical and system impacts, and as such the national frameworks in place would suffice.

Unnecessary regulatory burden - compliance cost and time

- 4.6 SSCM is currently bearing the cost of and time associated with compliance and reporting obligations as a result of holding a generation licence under the SA Electricity Act (refer to paragraph 1.2 above). An estimate of the cost and time associated with reporting obligations are in Attachment 5 and is provided on a confidential basis. This shows that the compliance burden is approaching █████ of the operational value.
- 4.7 In terms of the unnecessary regulatory burden, SSCM requested approval for alternative signatories to sign the annual generator compliance report for the 2020-2021 year. These two replacement signatories had previously signed the annual compliance report for the 2019-2020 year. Notwithstanding this fact, SSCM was required to provide information regarding the qualification and roles of the proposed signatories, as well as details of their ability to effectively report on compliances and non-compliances of the generating unit at the Site. This resulted in unnecessary time and cost to SSCM in order to satisfy a requirement that does not take into account prior practice nor the relevant size of this renewable generator.
- 4.8 The yearly cost and time for compliance reporting is excessive taking into account the size of the renewable generating unit and the limited benefit gained by Government from the required generator compliance and reporting under the generation licence for this size of renewable generator.
- 4.9 Applying the same compliance and reporting obligations to this small scale renewable generator as those that are applied to a large scale generator is an unnecessary regulatory burden for SSCM as owner and operator of the renewable generating unit.

Administration cost weighs against further renewable installations of this size

- 4.10 In addition, the level of compliance administration weighs against further investment for installations of this size at SSCM sites in circumstances where similar sized renewable generators would attract the requirement to hold a generation licence for those facilities.

Generator technical standards and safety

- 4.11 An individual exemption would not expose electricity consumers in South Australia to any unnecessary risks with respect to the security of the power system as the generator is designed not to export to the electricity grid. Further, SSCM has control systems in place that results in no impact to the local grid in accordance with SSCM's network connection agreement.
- 4.12 SSCM has existing electrical and structural agreements in place with licensed electrical contractors that extends on current practices in place to monitor proper safety and technical standards for the electrical installations of which the solar system is a very small part. The day-to-day operational system processes are being operated in accordance with SSCM's operational manual via appointed electrical contractors who remotely monitor operations.

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4.13 Further to this, safety practices are captured through SSCM Standards of Operation (**SOP**), such as regular relevant system testing that has been incorporated into SSCM's business wide testing schedule. All SOPs are to be operated in accordance with SSCM's operations manual, which is included in the Sites annual audit. Additionally, the electrical incumbent is engaged to oversee the electrical infrastructure within the Site, which includes the scope of the solar system.

Network protections remain

4.14 SSCM currently holds NR1, NR5 and NRO5 network exemptions for the Site.

4.15 The NR1, NR5 and NRO5 exemption conditions in the *AER Electricity Network Service Provider Guidelines* apply to SSCM in relation to the Site. These conditions (particularly conditions 3 and 4) impose obligations on SSCM to ensure that its network is installed, operated and maintained in accordance with safety requirements and technical standards.

4.16 The network electrical safety and technical standards obligations in relation to the installation and operation of the SSCM embedded network to which the generator is connected, remain in place and are not affected by the grant of an individual exemption in favour of SSCM for the renewable generator.

Customer retail protections remain

4.17 The solar generated from the generating unit at the Site is supplied to SSCM customers on the embedded network at the Site. SSCM supplies electricity to its customers and charges for that supply in accordance with *National Energy Retail Law* and *Rules* as they apply in SA.

4.18 SSCM currently holds R1 and R5 retail exemptions for retailing to customers at the Site.

4.19 The R1 and R5 exemption conditions in the *AER (Retail) Exempt Selling Guideline* apply to SSCM. These conditions impose obligations on SSCM in relation to the selling of electricity to its customers and provide the customers with retailing protections.

4.20 Granting an individual exemption to SSCM from the requirement to hold a generating licence in respect of the renewable generator will not change SSCM's compliance obligations in relation to the on-supply of electricity nor the customer protections afforded to SSCM customers under the retail law.

4.21 **Individual Exemption Application**

4.22 Pursuant to section 80 of the SA Electricity Act the ESCOSA may, with the approval of the Minister, exempt a person from the requirement to hold a generation licence. As such, SSCM applies for the grant of an exemption pursuant to section 80(1) of the SA Electricity Act from the requirement to hold a generation licence for its 540kW generating unit located on the Site.

4.23 If this application is granted on terms reasonably acceptable to SSCM then it will relinquish its current Generation Licence.

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4.24 Of course if there is any further information that you require to process or give consideration to this application we request that you contact us and provide us with the opportunity to respond.

If you have any questions, please do not hesitate to contact me on [REDACTED] or [REDACTED]

Yours sincerely,

Scentre Shopping Centre Management (SA) Pty Limited

Craig Parr
Head of Energy

Attachments Removed