

19 October 2022

Mr Adam Wilson
Chief Executive Officer
Essential Services Commission of South Australia
GPO Box 2605
Adelaide SA 5001

submitted via website: [ESCOSA - Send a Submission](#)

Dear Mr Wilson

Electricity distribution licence application – Sustainable Asset Co Pty Ltd

The Essential Services Commission of South Australia (the ‘Commission’) has invited submissions on an application from Sustainable Asset Co Pty Ltd for an electricity distribution licence, in accordance with the Electricity Act 1996 (Electricity Act). The applicant is seeking to build and operate two distribution networks located at the William Lakes development in Roseworthy and the Oakden Rise development in Oakden.

In this letter, we set out a number of matters we believe the Commission should consider in their determination as to whether to grant a license, and potential conditions related to such a license should it be granted.

In addition to licensing our own distribution operations - which cover the vast majority of South Australian customers - SA Power Networks notes that the Commission has issued several distribution licences to remote and ‘off-grid’ operators in South Australia but has only ever issued one other licence to a ‘grid-connected’ distribution network operator, CPE Tonsley.

The Tonsley site was a unique situation, involving a comprehensive ‘in-fill’ redevelopment of the former Mitsubishi site: building a new network to supply a mix of commercial and residential customers, employing embedded generation and other energy sources as well as high voltage grid-connected supplies from multiple SA Power Networks’ connection points and was built to SA Power Networks standards.

Sustainable Asset Co has advised in its licence application that it is not applying to the Australian Energy Market Operator for registration as a Network Service Provider (NSP). Therefore, it must apply to the Australian Energy Regulator for an NSP registration exemption, and the network it operates would then be classified as an embedded network. If the AER approves the exemption, it will make both developments (ie Roseworthy (1,670 residential premises) and Oakden (1,500 premises)) the largest embedded networks in South Australia. Consequently, the customers connecting to the embedded network would not have the full protections of the National Energy Customer Framework (NECF) set out in the National Electricity Law and the National Energy Retail Law.

We note that this absence of full protections, amongst other matters, has led to stakeholders expressing a number of concerns in relation to embedded networks. Particularly in states where these types of developments have become more common.

The Australian Energy Market Commission (AEMC) proposed a package of law and rule changes to update the regulatory frameworks for embedded networks. However, this package is yet to be adopted and

implemented. The AEMC stated in its 2019 Final Report “Updating the regulatory framework for embedded networks, Final report:

“The Commission has previously found that the current regulatory arrangements for embedded electricity networks are no longer fit for purpose, resulting in some customers not being able to access competitive prices or important consumer protections. There are also insufficient monitoring and enforcement powers, leading to a lack of clarity that embedded network operators are meeting their obligations as suppliers of an essential service. While some embedded networks are providing benefits to energy consumers that they may not receive in a standard supply arrangement, often they do not.”

This statement relates to the current regulatory framework applying for embedded networks.

Also, we note that a NSW Parliamentary Committee is currently inquiring into Embedded Networks in New South Wales. SA Power Networks understands that this inquiry is a response to concerns with the proliferation of embedded networks in NSW. The terms of reference of the inquiry can be located [here](#). Two of the terms of reference are:

- c) *the effect of embedded networks on NSW residents and businesses, including any health or safety concerns*
- d) *policy and legal solutions to address the effect of and concerns about embedded networks, including to address any gaps in the regulatory framework or safety concerns raised by NSW residents and businesses.*

The licensing of operations for the two proposed broadacre developments at Roseworthy and Oakden would represent a first in South Australia which the Commission must consider carefully. In considering this application, we wish to emphasise to the Commission that:

- Sustainable Asset Co should understand that their distribution licence, like SA Power Networks’ distribution licence, will not be an exclusive entitlement for them to supply electricity to all customers within the areas highlighted in its application;
- the application indicates it intends to build the distribution network in accordance with Australian Standards and does not indicate that it will be built in accordance with SA Power Networks’ standards. SA Power Networks has been approached by Sustainable Asset Co to use our standards to build these two networks. (This aligns with its promotional literature). SA Power Networks’ standards are copyright protected and can only be used for a fee and with SA Power Networks’ explicit consent. (A commercial agreement was developed between SA Power Networks and Enwave (now CPE Tonsley) for use of our standards to design and construct the Tonsley embedded network);
- if the developments are not constructed to SA Power Networks standards and Sustainable Asset Co in the future was to surrender its licence, and/or the Commission wished to transfer responsibility to SA Power Networks for performance, solvency or other reasons, there would be significant cost and inconvenience to the embedded network customers for SA Power Networks to undertake necessary remedial works (to bring the network up to SA Power Networks standards) before it could take operational control of the relevant assets;
- SA Power Networks’ supply obligations will be with Sustainable Asset Co and would end at our metered (high voltage) supply points to these locations. ‘No supply’ or other customer supply issues down stream of our connection points will not be our responsibility; and
- Sustainable Asset Co will need to manage its residents’ future expectations on electricity export/load changes (eg to adopt new/larger solar systems, battery systems, electric vehicles or other changes) within their contracted import/export capacity to SA Power Networks distribution network. This will require Sustainable Asset Co to operate its network to ensure that these agreed contracted levels are not exceeded without SA Power Networks approval. Given future needs to manage South Australian system security by limiting customer exports at certain times, we observe that this may

require Sustainable Asset Co to ultimately apply static zero export limits on exported energy from their customers, unless Sustainable Asset Co develops a 'flexible export' capability.

We do not know what on-selling arrangements are planned by Sustainable Asset Co but note the Roseworthy and Oakden developments would both be subject to the national arrangements for embedded networks. These would include, amongst other things, giving embedded network customers choice of retailer if they request it, and facilitating the necessary metering and loss factor calculations.

We are in the early stages of connection enquiries with Sustainable Asset Co for both of these sites and we are discussing a range of matters including:

- whether they can build the subdivision network to our standards (as other underground developers currently do now when they build a new subdivision and then look to transfer these assets to SA Power Networks);
- the number of supply points at each location. We are likely to propose a main and 'back-up' supply from SA Power Networks to each site, given the number of embedded network customers at each site;
- whether they can use different coloured fuse pits from those used by SA Power Networks – to avoid any potential confusion if, in the future, our crews were to inadvertently be called to attend a 'no supply' call downstream from our connection points. A similar arrangement also needs to apply to Street Light Out repairs within the embedded network;
- encouraging them to install smart switchgear to minimise outages/effect customer isolations within their embedded networks; and
- ensuring clear signage and other communications so that the residents understand they are not connected to our network and Sustainable Asset Co (or their contractors) are responsible for attending 'no supply' calls or other issues with their electricity supply.

SA Power Networks notes that the Commission's primary objective is the:

"protection of the long term interests of South Australian consumers with respect to the price, quality and reliability of essential services"

To meet this objective when assessing Sustainable Asset Co's distribution licence application, the Commission should carefully consider whether the large number of customers involved at both sites, should benefit from the full protections of the NECF. The embedded network framework, as currently exists, was intended for small numbers of customers within a single site, for example, in apartment buildings or shopping centres. In providing network services to large, broadacre developments, we consider it may be more appropriate for the full obligations of Network Service Provision to apply.

If you have any queries or require further information in relation to our submission, please contact Grant Cox on 0403 582 024 or grant.cox@sapowernetworks.com.au

Yours sincerely



Mark Vincent
EXECUTIVE GENERAL MANAGER STRATEGY AND TRANSFORMATION