

14th November 2022

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

Submitted via email: Adam.AbrahamsZelko@sa.gov.au

Dear Mr Wilson,

Electricity distribution licence application – Sustainable Asset Co Pty Ltd – Response to South Australia Power Networks public consultation submission

Sustainable Asset Company Pty Ltd (**SACo**) thanks SA Power Networks (**SAPN**) for the submission provided in response to its application to obtain a South Australian Distribution Licence. Sustainable Asset Company has carefully considered the submission provided by SA Power Networks and has the following responses.

SAPN - 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.

SACo – Sustainable Asset Company’s application is for a distribution licence issued pursuant to the *Electricity Act 1996*. Sustainable Asset Company’s application provides detail on the Roseworthy and Oakden sites within its overarching business plan. Section 11 of the National Electricity Law requires that a business that owns, controls or operates an embedded network either register with the Australian Energy Market Operator (**AEMO**) or be exempt. Exemptions are issued from the requirement to register with AEMO pursuant to the AER’s NSP Exemption Guidelines (version 6 with the draft version 7 published on 31 October 2022). There are various categories of exemption-deemed, registerable and individual that are subject to certain criteria and ongoing compliance obligations. Sustainable Asset Company has engaged suitably qualified external legal advisors, understands and will comply with its obligations in relation to s 11 of the National Electricity Law.

SAPN – 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.

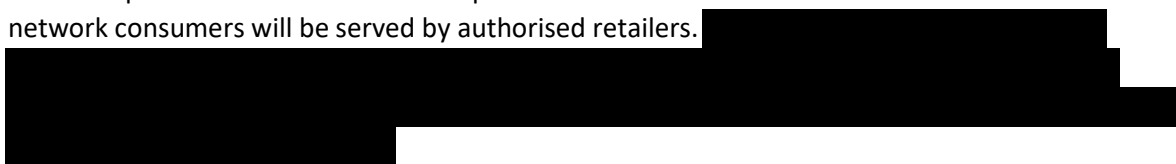
SACo – Embedded networks are privately owned electricity networks that are subject to both the national framework and jurisdictional obligations. Firstly, we note that networks in question are not located in NSW.

Sustainable Asset Company has followed the NSW inquiry in detail. That inquiry was initiated in relation to alleged overcharging for hot water usage and one of the considerations of the enquiry will be whether there should be additional NSW regulation surrounding services other than the sale of electricity.

The 2019 AEMC enquiry into embedded networks produced a package of proposed law and rule reforms. Those recommendations were subsequently considered by State Energy Ministers (via what was then COAG) and were rejected on the basis of cost benefit analysis conducted by an external consulting firm. Sustainable Asset Company followed and determined the status of the AEMC’s recommendations by an FOI request to the SA Energy & Mining Department (see disclosure log reference F2021/000530). Our level of understanding of the actual status of these matters is evidence of the maturity of our compliance program.

In any event, Sustainable Asset Company is aware of and will avoid, by design, the issues that have given rise to the inquiries conducted into embedded networks. Embedded networks have the potential to provide significant environmental and financial benefits to those who reside within them. Ensuring that our customers realise those benefits is at the core of the Sustainable Asset Company business model.

Finally, we note that the Australian Energy Regulator (**AER**) is currently reviewing the authorisations and exemptions framework and that a potential outcome from that review is that all embedded network consumers will be served by authorised retailers.



SAPN - *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;*

SACo – This is noted and understood. Distribution services whilst typically resulting in natural monopolies, do not need to be - hence our application.

SAPN - *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);*

SACo – Sustainable Asset Company has engaged suitably qualified design engineers and consultants to provide design drawings, and consultants to provide feedback on the drawings to ensure the design fundamentals align with Australian Standards for utility grade HV/LV installations.

Sustainable Asset Company has also developed a stringent quality assurance regime to ensure the installations align with our nominated network standards. To provide further assurance around our processes and systems, Sustainable Asset Company is currently undergoing third party certification to ISO 9001, ISO 45001 and ISO 14001. Sustainable Asset Company has formally reached out to SAPN (on 7 November 2022) regarding a commercial agreement for use of SAPN's standards and documentation, which is our preferred approach.

In order to utilise the SAPN documentation suite, Sustainable Asset Company would need a fair commercial arrangement to be agreed between the parties, and this entails modest and proportionate fees as Sustainable Asset Company is aiming to provide lower cost green sourced energy to the communities we connect.

Thus far, our messaging to SAPN has been that we would like to work with them and develop a strong ongoing relationship with regards to the proposed networks.

SAPN - *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;*

SACo – Sustainable Asset Company has engaged suitably qualified design engineers and consultants to provide design drawings, and consultants to provide feedback on the drawings to ensure the design fundamentals align with Australian Standards for utility grade HV/LV installations. Sustainable Asset Company has also developed a stringent quality assurance regime to ensure the installations align with our nominated network standards. To provide further assurance around our processes and systems, Sustainable Asset Company is currently undergoing third party certification to ISO9001, ISO45001 and ISO14001.

SAPN - 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

SACo – noted and understood. As set out above, Sustainable Asset Company's approach in this regard is to adopt industry best practise with robust compliance and quality assurance policies, processes and systems in place.

SAPN - 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.

SACo – Sustainable Asset Company has engaged and consulted with SAPN regarding their contracted levels that will apply to us, however at the time of drafting this response we have not received a connection agreement which will further assist us in understand our contracted levels.

As the fundamental purpose of our community energy network is to utilise excess generation within the network at a community battery level, to provide the community with lower cost green sourced energy, we don't believe the concerns have merit and ultimately any decision by SAPN in relation to curtailment would be made following a proper consideration of relevant factors for the sites in question and their individual impact on the wider SAPN network.

SAPN - 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);

SACo – SAPN standards do not apply to this network as it is private (and, in any event, to build specifically to the SAPN standards, Sustainable Asset Company would need to have a licence to use them - as noted earlier). While SAPN's standard do not apply to Sustainable Asset Company's private networks, we are committed to provide a network to a utility grade similar to those that SAPN would deliver. All personnel engaged to deliver design, construction and maintenance services for Sustainable Asset Company have many years of experience performing the same work for other utility grade networks, including those of SAPN.

SAPN - 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;

SACo – Our communication, throughout our engagement with SAPN to date has been, that, this scenario has always been part of the conversation and our understanding, yet without receiving our connection agreement, we are unclear on the connection points.

SAPN - *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;*

SACo – Our communication, throughout our engagement with SAPN to date has been that whether the fuse pits be different coloured or otherwise, we would be looking to differentiate all of the equipment, ensuring appropriate labelling and signage thereby alleviating the risk of confusion. Such ‘physical indicators’ will be complemented by an extensive marketing campaign within the relevant areas thereby ensuring that consumers understand the responsibilities of Sustainable Asset Company.

SAPN - *encouraging them to install smart switchgear to minimise outages/effect customer isolations within their embedded networks; and*

SACo – Sustainable Asset Company will be using equipment that meets the standards and requirements.

SAPN - *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.*

SACo – Our communication, throughout our engagement with SAPN to date has been that whether the fuse pits be different coloured or otherwise, we would be looking to differentiate all of the equipment, to ensure there is no confusion to consumers within the network. Such ‘physical indicators’ will be complemented by an extensive marketing campaign within the relevant areas thereby ensuring that consumers understand the responsibilities of Sustainable Asset Company.

SAPN - *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”*

SACo – South Australia is at the vanguard of the global energy transition, having transformed its energy system from 1% to over 68% renewable energy in just over 15 years. By 2025/2026, the Australian Energy Market Operator forecasts this could rise to approximately 85%. South Australia’s aspiration is to achieve 100% net renewables by 2030, and our approach of providing communities with 100% green sourced affordable energy is fully aligned with this.

In 2021, South Australia met 100% of its operational demand from renewable resources on 180 days (49%). Sustainable Asset Company, sees that operating a distribution network within the two estates it intends to, aligns with the South Australian Government’s ambitions to achieve 100% net renewables by 2030.

Our networks will allow and promote distributed energy resources, energy efficiency and demand management, the introduction of smart technologies to provide flexible export limits on solar PV, it will utilise battery storage to take combat peak demand events on both its own and the SAPN supply to its sites. From a consumer standpoint, all of the energy within the network, will be either sourced from local ‘on-site’ generation and storage, or procured from the grid with all power purchased at

the grid to be 100% green power, with LGC's surrendered and traceable back to South Australia's Lake Bonney Wind Farm (or an equivalent alternative site).

It also must be noted that the network intends to be a sustainable microgrid, which is a subset of the wider traditional distribution system that SAPN operates. Microgrids are the technology key towards not only South Australia's, but Australia's transition toward a more efficient and flexible environment. Microgrids allow for embedded renewable technology and they allow for self consumption in a way that places less strain on the wider distribution network, reducing the costs that are inherent where electricity has traditionally been transported over significant distances.

We look forward to working with the Commission to uphold and exceed the objectives of protecting the long-term interests of South Australian consumers, with respect to price, quality, and reliability of essential services.

Yours Sincerely



Steve Hazelwood
Head of Sustainable Asset Company