



Our ref: 64737  
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5 February 2019

John Pierce  
Chairman  
Australian Energy Market Commission  
PO Box A2449  
Sydney South NSW 1235

Dear Mr Pierce

*John*

### **Review of the regulatory framework for stand-alone power systems**

Thank you for the opportunity to provide comment to the Australian Energy Market Commission's (the AEMC) public consultation on the review of the regulatory frameworks for stand-alone power systems.

The ACCC recognises that innovation and the falling cost of new technologies provide opportunities for more efficient alternatives to traditional electricity supply arrangements. In this context, there is a significant potential for stand-alone power systems (SAPS) to reduce overall network costs. We also recognise that distribution network service providers (DNSPs) are well placed to facilitate the provision of SAPS services to customers.

In our 2018 *Retail Electricity Pricing Inquiry final report (REPI)*, we recommended (at recommendation 23) that immediate work should be undertaken to identify and implement the necessary changes to the regulatory framework to allow DNSPs to develop off-grid supply arrangements for existing customers or new connections where it is efficient to do so.

The ACCC welcomes and supports the work of the AEMC in progressing this recommendation through its SAPS Priority One Draft Report.

In our REPI recommendation 23, we set out three principles that we considered important that new arrangements should deliver. In brief:

- Customers should be subjected to equivalent costs and protections as if they were connected to the grid.
- The arrangements should be adopted on a consistent basis across the NEM.
- The arrangements should be operated under a contestable framework, with DNSPs restricted to operating them through ring-fenced entities.

We continue to consider that these are important principles for the SAPS arrangements to achieve.

It is important that the final SAPS service delivery model, governing the relationship between the distribution service provided by the DNSP and all of the other services required to

provide a service to electricity customers, ensures that customers with stand-alone supply arrangements are afforded an enforceable set of customer protections, equivalent to those of customers with grid supply arrangements.

We also consider that, in its deliberations of different models of implementation, the AEMC should give appropriate consideration to the benefits of promoting competition in the delivery of SAPS services. In particular, we are of the view that contestable markets will enable a more efficient and cost-effective delivery of off-grid supply and retail prices are likely to be lower where they are established through a competitive process. In this respect, competition for the service may be an appropriate way of delivering the benefits of competition.

We would strongly encourage the AEMC to closely examine and assess the competition issues of various models of implementing the SAPS framework as it takes forward this review.

If you have any questions in relation to this submission, please contact Lyn Camilleri, General Manager Electricity Markets Branch, on (03) 9290 1973.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Rod Sims', written in a cursive style.

Rod Sims  
Chair