



4 February 2019

Ms Anne Pearson  
Chief Executive  
Australian Energy Market Commission  
PO Box A2449  
Sydney South NSW 1235

Dear Anne

**AEMC Reference EMO0037 – Review of the regulatory frameworks for stand-alone power systems  
- Priority 1**

Thank you for the opportunity to comment on the draft report 'Review of the Regulatory Frameworks for Stand-Alone Power Systems - Priority 1'.

The Energy & Water Ombudsman NSW (EWON) investigates and resolves complaints from customers of electricity and gas providers in NSW, and some water providers. Our comments are informed by these complaints and from our community outreach and stakeholder engagement activities. We have only responded to those questions that align with issues customers raise with EWON.

## Consumer protections

We generally support the Commission's position on consumer protections for Distribution Network Service Provider-led Stand Alone Power Systems (DNSP-led SAPS) customers, as outlined in the draft report:

- To introduce SAPS specific consumer protections requiring information provision and disclosure to customers transitioning to a DNSP-led SAPS.
- To develop retail price protections for SAPS customers who cannot access retail competition and who are in geographic areas that do not currently have retail price regulation.
- That customers transitioned to SAPS supply should continue to be subject to other existing national energy specific consumer protections in the NERL and NERR.
- That DNSP-led SAPS customers should receive reliability protections equivalent to grid-connected customers.
- That DNSP-led SAPS customers should have access to jurisdictional rebates, safety and technical regulation, and external dispute resolution.

## Service classification and delivery

At this stage, we do not have a preference for either of the two suggested service delivery models outlined in the draft report. We believe there are additional factors that should be considered before any final position is decided.

### Energy consumers in regional and remote locations

Stand-alone systems have the potential to be used by DNSPs in a wide variety of circumstances, ranging from supplying a single bore pump to a microgrid covering a whole town. However, at this stage the motivation for regulating for SAPS is to provide DNSP's with options for addressing the high cost of servicing remote areas, at the "fringes" of the grid.

It is our experience from almost two decades of engaging with energy consumers in regional and remote areas of NSW, that many small remote communities face higher energy costs, consumption due to extreme summer and winter temperatures as well as service charges, while also managing higher petrol and grocery costs. Energy customers in remote towns are more vulnerable to high energy debt and face greater barriers to accessing financial and social support programs. Positively, we have seen an increase in funding from government and retailers to help disadvantaged households in remote communities access technologies such as solar panels and more efficient appliances. However, many consumers in remote areas are likely to continue to need a higher level of support from their energy retailer.

If an integrated service delivery model is adopted for SAPS, it is crucial to understand, even at this early stage, that the party providing retail services may face unique challenges depending on the location of the SAPS, such as a high proportion of customers requiring affordability support. Unable to pay high energy debts, many customers simply accept disconnection for non-payment and then seek an energy account with another retailer with which they have no debt, when they look to reconnect the premises. In a situation where there is only a single retailer servicing a SAPS community, serious consideration will need to be made about how the retailer (or DNSP) will respond to these customers including how electricity supply will be guaranteed for consumers with unmanageable energy debts.

### Access to retail competition for regional and remote customers

An EWON review of the Australian Energy Regulator's (AER) comparison site, EnergyMadeEasy, found there is already a reduced level of retail competition, with up to 30% less retail offers, for consumers living in remote locations compared to larger regional towns and urban centres.

There is no legal obligation on a retailer to make a market offer to a customer. If the preferred SAPS delivery model opens energy retailers to greater risks or costs, the level of retail competition open to those SAPS customers, particularly in regional and remote areas, may reduce further. This would leave these SAPS customers with less choice. A further reduction in retail competition for SAPS customers would significantly reduce the potential benefit of adopting a NEM consistency model for SAPS service delivery.

If the NEM consistency model is adopted for service delivery as the preferred model – we believe that the AER must closely monitor the level of retail competition provided to SAPS customers.

## Transition to SAPS supply

### DNSPs will not be required to obtain consumer consent prior to transfer to a SAPS

The Commission's draft position is not to require DNSPs to obtain explicit consent from customers identified for transition from grid-supply to SAPS-supply, where customers are able to maintain the benefits of their existing retail offers. We support this position provided the new SAPS customers maintain the same level of consumer protections and access to retail competition that they benefited from as grid connected customer.

## Transition to Third Party SAPS

### Explicit Informed Consent (EIC)

We agree with the Commission's position requiring obtaining the EIC of customers prior to transition to a third party SAPS. The Commission recommends:

- The third party should obtain the EIC of all relevant customers in written form, and the AER will have a role in the asset transfer process
- Consent to transition customers to third party off-grid supply should be based on a set of EIC requirements that include providing the customer detailed information, including:
  - the third party
  - the SAPS system
  - SAPS supply model, setting out service and maintenance responsibilities
  - expected consumer outcomes such as prices, service standards and consumer protection safeguards.

It is critical however that this information is provided in "easy English" and is therefore easily understood by CALD and low-literacy customers.

If you would like to discuss this matter further, please contact me or Rory Campbell, Manager Policy and Research, on (02) 8218 5266.

Yours sincerely



**Janine Young**  
**Ombudsman**  
**Energy & Water Ombudsman NSW**