



Energy Policy and Projects
Department for Energy and Mining
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Consultation on Regulatory Changes for Smarter Homes

Alinta Energy welcomes the opportunity to respond to the Department for Energy and Mining's series of consultation papers on proposed regulatory changes for smart homes.

Alinta Energy, as an active investor in energy markets across Australia with an owned and contracted generation portfolio of nearly 3,000MW and more than 1.1 million electricity and gas customers has a strong interest in changes impacting the South Australian electricity retail market.

Alinta Energy supports the Department's objective of addressing the decreasing minimum demand in the South Australian electricity grid, driven primarily by the high penetration of rooftop solar PV systems. We consider the timeframe for some of the changes is likely to be unachievable given the impact of the COVID-19 pandemic on the resources of industry and the demands of other regulatory change implementation projects planned or underway across the NEM in both wholesale and retail markets. We urge the Department to consider implementation of the proposed changes more gradually to avoid increases in cost to consumers and unanticipated negative outcomes. Piloting or targeting some of the proposed changes may be an approach that could be pursued.

While the problem facing South Australia is more pronounced than in other jurisdictions, it is not unique. Harmonising policy responses across the NEM will reduce costs to consumers in the long term. In recent years, there has been growth in uncoordinated policy changes across NEM jurisdictions that have resulted in an increase in the cost of supplying energy. Notwithstanding the short-term challenges facing South Australia, we would urge the Department (and all state energy departments) to harmonise their approach to policy and regulatory development in keeping with the goal of nationally consistent regulation introduced in the 2000s.

We provide specific comment on the areas of proposed change below.

1. Proposed Tariffs to Incentivise Energy Use in Low Demand Periods in South Australia

Of the five consultation areas, the proposed changes to tariff application and assignment are likely to have the most impact on retailers. Alinta Energy understands that electricity customers will retain the right to opt out of assignment to a cost reflective tariff until 1 July

2021 due to uncertainties around the COVID-19 pandemic, but standing offer customers with advanced metering will be reassigned to SA Power Networks time of use, or demand tariff structure for residential customers (from spring 2020).

While Alinta Energy supports a transition to cost reflective tariffs over the long term, we consider that the changes proposed by the Department are likely to result in higher costs than benefits because:

- The cohort of customers the change will target are a relatively small segment of the retail electricity market;
- Standing offer customers are generally less engaged in the market and there is significant doubt that small customers generally will respond to a price signal encouraging power consumption at times of low grid demand;
- The circumstances where a tariff reassignment would apply will require retailers to alter systems and processes (only for the South Australian market) at a time when retailers and the energy supply sector generally have limited available resources given existing regulatory changes and the short time frame available to implement the changes; and
- In meeting a September 2020 start date, some retailers may be forced to implement manual processes that will increase the risk of error and non-compliance and absorb resources, adding to retailer costs.

Most South Australian electricity customers are on market offers. As discussed above, the proposed change would impact a small minority of electricity customers, who may not respond to any price signal in any event without being provided with information on how such a response could benefit them.

A common scenario where customers would be mandatorily assigned onto SAPN's time of use or prosumer tariff structures would be for customers moving into a property and who do not respond to the retailer's (as the financially responsible market participant) request to contact them and set up a market (or standing) offer.

In this circumstance under the proposed changes, retailers would need to request a tariff reassignment from SAPN and bill the customer according to the assigned tariff structure. The customer is unlikely to engage with the price signal if they chose not to respond to a (likely more competitive) market offer in the first instance.

In our view, cost reflective tariffs require a focus on educating and communicating to customers their benefit over time. While we recognise that solutions are required in the very near future, we do not consider that mandatory assignment of standing offer customers to the time of use or prosumer network tariff structures will adequately address the policy objectives in the short term and will result in a net social cost. This, at a time when retailers face significant uncertainty, including the adequacy of the Default Market Offer and the capacity of customers to adjust to change when they are focused on employment and cost of living concerns amplifies the risk of the proposed changes.

2. Remote disconnection/reconnection requirements for distributed solar generation

Alinta Energy supports the Department's view that a technology neutral approach be adopted to meet any standard around remote disconnection and reconnection of solar PV systems determined by the Office of the Technical Regulator. At the same time, we support nationally consistent approach to the provision of remote services to the maximum extent possible.

We are concerned again that the implementation timeframe is very short and the

circumstances where customer generation will be remotely disconnected from SAPN's distribution network is not clear. Remote disconnection of embedded generation is an effective tool to manage the impact of excess generation in the grid, but the benefit of this in low demand periods in the forthcoming spring are again likely to be limited, as few systems capable of meeting the new standard will be in operation.

Alinta Energy would encourage the Department to continue to work closely with solar PV installation businesses, electricians, Metering Coordinators, SAPN and retailers to develop a standard that is robust and workable and allows installation businesses to manage their inventory of equipment that may not meet the new standard.¹ Retailers need to understand the rules governing the disconnection of solar generating plant (outside of emergencies) as there may be financial implications in the wholesale energy market and impacts on other customers.

Customer expectations about the financial benefits and payback periods associated with their (new) investment solar PV will need to be managed by the installation industry and comply with Competition and Consumer Act provisions. Implementing a standard to apply to new installations from September 2020 may result in costs that exceed the short to medium term benefits of the proposal. A more gradual timeframe to implement a standard would reduce this risk.

3. Smart meter minimum technical standards

The current approach to wiring new advanced meters may be the most economic, but the reason and history behind for it should be considered. For customers with solar PV, the current approach supports the requirement under the South Australian feed-in tariff scheme for net metering adopted more than ten years ago.²

There are likely to be significant challenges to implement a proposed two-element solution as a minimum standard by spring 2020 in South Australia only. Alinta Energy is concerned that by deviating from the national minimum functionality standard, the cost of smart meters will increase for customers in South Australia and in other jurisdictions as economies of scale are lost. We would encourage the investigation of alternatives (inclusion our discussion of controlling hot water load below) to allow flexibility in approaching the challenge of minimum demand levels in the SAPN's distribution network.

4. Additional solar sponge mechanisms

Additional mechanisms that may soak up high solar PV output during low demand periods could include the reconfiguration of some controlled loads (such as hot water load) to these times. Such an approach is simple and should provide certainty for SAPN in that it knows the load that can be moved to different times of the day.

Alinta Energy appreciates that the Department has examined a range of options to address the impacts of net zero grid demand, but we encourage the consideration of alternative solutions that present low implementation and operational costs and are competitively and technologically neutral.

¹ The management of existing inventories also applies to the low-voltage ride through requirements for inverters.

² Department for Energy and Mining (2020), Consultation on the Proposed Smart Meter Minimum Technical Standards in South Australia, page 3.

Alinta Energy would welcome further discussion with the Department on any of the matters raised in this response. Please contact David Calder (Manager, Regulatory Strategy) on (03) 9675 5359 in the first instance.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'G. Hamilton', is positioned above the printed name.

Graeme Hamilton
General Manager, Government & Regulatory Affairs