



AGL Energy Limited
ABN: 74 115 061 375
Level 24, 200 George St
Sydney NSW 2000
Locked Bag 1837
St Leonards NSW 2065
t: 02 9921 2999
f: 02 9921 2552
agl.com.au

Rebecca Knights

Energy and Technical Regulation Division
Department of Energy and Mining
Government of South Australia

Submitted by email to: dem.consultation@sa.gov.au

18 February 2022

Review of the South Australian Electricity Licensing Framework Consultation Paper

AGL Energy (**AGL**) welcomes the opportunity to respond to the South Australian (**SA**) Government's Review of the South Australian Electricity Licensing Framework (**Consultation Paper**).

AGL is a leading innovative retailer seeking out solutions to help customers better manage their energy consumption and be rewarded for offering their self-generation for network services. For example, we recently launched our Solar Grid Saver offer¹ that rewards customer for participating in solar orchestration, pausing their solar exports in periods of minimum operational demand whilst enabling them to continue to generate and use their solar power.

Our feedback to this review seeks to balance customers' need for safe and reliable energy while ensuring that industry can continue to innovate and provide consumers with new products and services to match their energy needs.

Strategic direction

AGL welcomes the SA Government's review of the electricity licensing framework, as established in the *Electricity Act 1996*, to ensure the framework remains fit-for-purpose in promoting the safe and economically efficient generation and delivery of electricity to South Australian consumers as an essential service. This review is timely given the energy market's transformation away from traditional one-way flow of energy to two-way flexible generation and more decentralised sources.

With the accelerating uptake in distributed energy resources and the scaling of innovative energy service business models, such as orchestration, demand response and power purchase agreements, it is crucial that South Australia's regulatory framework facilitates customers' ability to participate in flexible demand and generation. This aligns with South Australia's strategic objective in its Energy and Mining Strategy to transition to new generation and storage technologies supported by world-class electricity systems and its progress to date in supporting the uptake of residential storage systems and the development of the Virtual Power Plant (**VPP**) business model.

¹ See further, AGL Solar Grid Saver offer, available at <https://discover.agl.com.au/energy/helping-to-maximise-your-solar-savings/>; Maximising solar to support Australia's evolving grid (Part 1), available at <https://www.agl.com.au/thehub/articles/2021/11/maximising-solar-to-support-australias-evolving-grid>; Maximising solar to support Australia's evolving grid (Part 2), available at <https://www.agl.com.au/thehub/articles/2021/11/maximising-solar-to-support-australias-evolving-grid-part-2>.



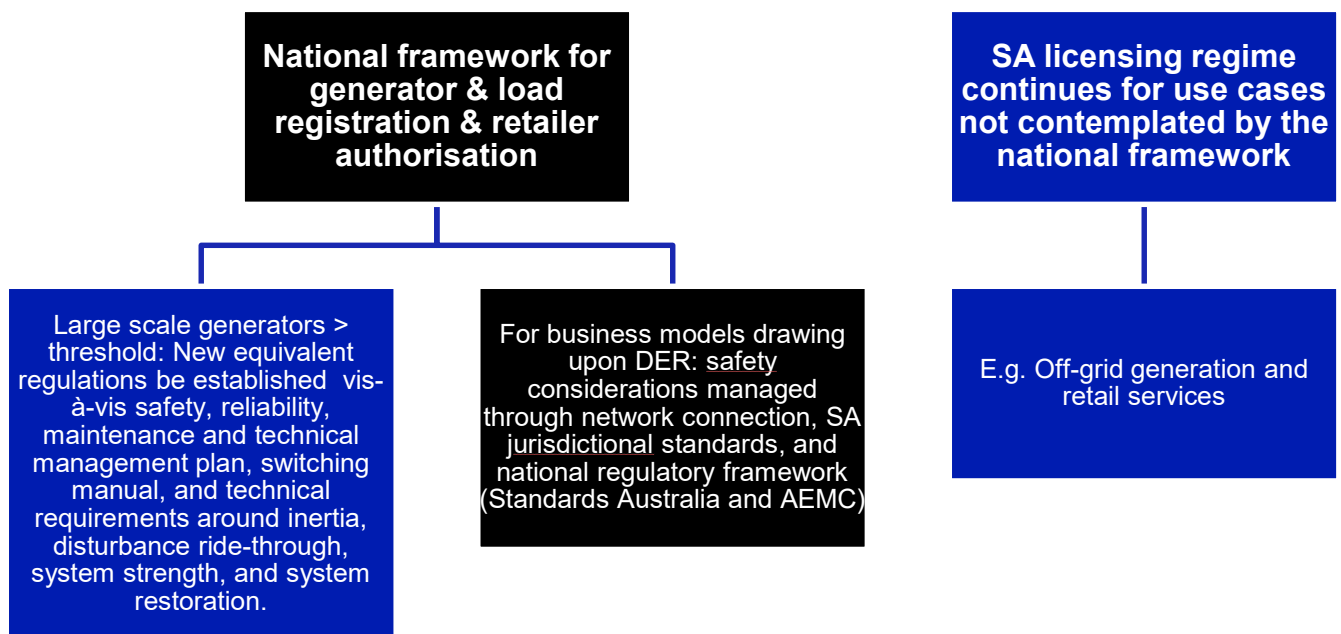
The established national framework for generator and load registration, and retailer authorisation, provides an opportunity to streamline jurisdictional licensing requirements where they are duplicative with these national arrangements and therefore do not result in benefits to consumers, but in fact may add unnecessary costs.

The national framework is undergoing a range of rule change reforms to ensure it supports new products and services in accordance with the long-term interests of consumers. We consider that jurisdictions should lean into these national reforms to provide the necessary safety and reliability of supply rather than creating duplicative regulatory frameworks.

The below diagram illustrates our preferred approach to licensing and the interrelationship between national and jurisdictional regulatory frameworks.

Preferred licensing model

***Blue sections indicating enduring role for jurisdictional regulation**



In a range of specific use cases, we have observed jurisdictional licensing regulations creating barriers to innovative business models. By way for example, in 2019 AGL made an application to the Essential Services Commission of South Australia (**ESCOSA**) for an electricity generating license with respect to a power purchase agreement (**PPA**), entailing the operating of four photovoltaic generation sites. While the commercial scale of the PPA was modest (<\$3M), the application process was somewhat protracted taking some three years to resolve that AGL could rely upon the statutory exemption from license.² More recently, ESCOSA, with the approval of the Minister for Energy and Mining, granted enrolled participants in the Australian Energy Market Operator’s (**AEMO**) VPP Demonstrations Program an exemption from generation

² For further information, see <https://www.escosa.sa.gov.au/projects-and-publications/projects/electricity/electricity-generation-licence-application-agl-energy-services>.



licensing requirements³. and that the applicable exemption was subsequently extended until 30 June 2023.⁴ We also note that in December 2021, following the approval of the Minister for Energy and Mining, ESCOSA granted exemptions from the requirement to hold a licence to VPPs, Electric Vehicle Charging Station operators and persons who carry on the generation of electricity in South Australia utilising generating plant that have a rated nameplate output of 5MW or less to provide the Department with the opportunity to determine if changes are required, including whether a permanent exemption for VPP, EV and Sub 5MW Operators is warranted.

While these jurisdictional licensing requirements have presented barriers to specific use cases, we anticipate that the divergent regulatory frameworks will also present barriers to innovation into the future. Accordingly, we do not consider that a use case approach to exemptions would be appropriate. Rather, we would recommend streamlining jurisdictional licensing requirements in their entirety, to ensure that innovative business models and new market entrants do not face unnecessary additional barriers to entry. We note that this approach is also being proposed in other jurisdictions.⁵

We appreciate that business models drawing upon DER entail a range of important safety considerations with respect to the installation and operation of assets at customers' premises. We consider that these risks can be effectively managed through technical standards regulations including:

- Jurisdictional standards administered by the SA Technical Regulator; and
- The evolving national regulatory framework for technical standards, that is administered by Standards Australia and the Australian Energy Market Commission.

In the context of state licensing requirements that will continue to operate for use cases not contemplated by the national framework, we would encourage the Department to undertake a cost benefit analysis to ensure any license conditions are fit-for-purpose. This should consider the proportionality of controls, the likelihood of consumer harm and the costs associated with compliance. In the context of EV charging stations, we note that proponents are developing a range of business models tailored to individual use cases. These vary from dedicated public charge point operators to commercial businesses deploying charging infrastructure to support fleet charging and small businesses that may seek to retail charging on an incidental basis only to support the business case for investment in charging infrastructure. It may be appropriate that licensing requirements are calibrated to specific categories of operation, proportionate to the scale of operations and frequency of charging that is anticipated.

Recommendations

Having regard to the considerations above, AGL recommends the SA Government:

1. Remove the generation licensing requirement in the *Electricity Act 1996* for all generators to streamline jurisdictional requirements and reduce duplication with the national regulatory framework, improve efficiency and better support innovative energy services.

³ See <https://www.escosa.sa.gov.au/projects-and-publications/projects/electricity/exemption-for-entities-participating-in-aemos-virtual-power-plant-demonstration-program/exemption-for-entities-participating-in-aemos-virtual-power-plant-demonstration-program>.

⁴ See <https://www.escosa.sa.gov.au/ArticleDocuments/21713/20210621-Electricity-GenerationLicenceExemption-AEMO-VPP-Demonstration.pdf.aspx?Embed=Y>.

⁵ See for example, Energy Policy WA, Legislative amendments to improve efficiency of the energy licensing regime (November 2021), Available at <https://www.wa.gov.au/system/files/2022-01/Information%20Paper%E2%80%9393Proposed-electricity-and-gas%20licensing%20reform.pdf>.



2. Regulate all residual technical and safety requirements currently provided for under the SA electricity licensing framework through stand-alone technical regulations, to be administered by the SA Technical Regulator.
 - i) In the case of business models drawing upon DER, we consider that many of the relevant technical and safety requirements will already be dealt with through network connection agreements and applicable product and installation standards.
 - ii) For large-scale generators, it may be necessary to establish equivalent regulations with respect to the safety, reliability, maintenance and technical management plan, switching manual, and technical requirements around inertia, disturbance ride-through, system strength, and system restoration.
3. In the context of state licensing requirements that will continue to operate for use cases not contemplated by the national framework (for example EV charging stations), we would encourage the Department to undertake a cost benefit analysis to ensure any applicable license conditions are fit-for-purpose and calibrated to specific categories of operation.

Should you have any questions in relation to this submission, please contact Kurt Winter, Regulatory Strategy Manager, on 03 8633 7204 or KWinter@agl.com.au.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Elizabeth Molyneux'.

Elizabeth Molyneux

GM Policy and Markets Regulation