

NSW Emergency Backstop Mechanism

Attachment 3 - Ministerial notice of intent to vary licence conditions



The Hon Penny Sharpe MLC

Minister for Climate Change, Minister for Energy,
Minister for the Environment, Minister for Heritage,
Leader of the Government in the Legislative Council



DOC24/977107

Mr Guy Chalkley
Chief Executive Officer
Endeavour Energy



Dear Mr Chalkley *Guy,*

I write to you regarding advice from the Australian Energy Market Operator (AEMO) that an emergency backstop mechanism should be implemented by the NSW Government from Spring 2025. AEMO advised this mechanism should enable the curtailment (reduction and disconnection) of distributed solar panel systems in emergency situations to manage system security.

As you are aware, the increasing uptake of small-scale solar installations means that there is an increased risk of minimum demand events across NSW. To respond to these risks, the NSW Government committed to begin public consultation on new measures to restrict solar export during emergencies when necessary to prevent blackouts and improve reliability in Action 43 of the NSW Consumer Energy Strategy. This consultation will help to inform the design of the backstop measure, as well as complementary measures to reduce the need to use an emergency backstop mechanism.

The NSW Government intends to implement an emergency backstop mechanism through a variation to Distributed Network Service Providers (DNSPs) licensing conditions. I am writing to all NSW DNSPs to request that you begin work towards developing your systems to support an effective emergency backstop mechanism by Spring 2025 in advance of any licence condition changes. The backstop mechanism should enable the curtailment (including flexible reduction and disconnection) of solar exports, apply to solar systems of less than 200kW and utilise the Common Smart Inverter Profile – Australia (CSIP-AUS) standard.

I request that NSW DNSPs work together and with the Department of Climate Change, Energy, the Environment and Water (the Department) to develop a consistent approach to the backstop mechanism across all DNSPs. DNSPs should ensure the backstop is facilitated through utility servers that do not create additional accreditation and test obligations for equipment manufacturers, beyond those already required in other Australian jurisdictions that have implemented a backstop mechanism.

DNSPs are also encouraged to work with the Department on navigating some broader potential regulatory implications that the backstop mechanism could have, including managing exemptions for any incentive scheme penalties and ex-post reviews; and justifying departures from regulatory allowances to ensure adequate funding for emergency backstop capabilities in the future. This could include working with the Australian Energy Regulator (AER) in relation to any cost pass through implications for your business.

I understand that your approved regulatory allowances for 2024-29 did not anticipate full delivery of a solar emergency backstop mechanism within this regulatory period, and that it may be necessary to bring forward planned expenditure to support delivery within the required timeframe. I have asked the Department to raise this issue with the AER on behalf of DNSPs, and to work with DNSPs and the AER to support appropriate funding to facilitate timely implementation of the backstop mechanism.

The Department is already working with DNSPs to develop a Consumer Energy Resource (CER) Installer Portal to improve compliance with CER standards at the point of installation. This portal will facilitate a consistent approach to the enrolling of inverters and testing of communication with DNSP servers to enable the backstop mechanism. I request that DNSPs continue to work with the Department to develop and use the Installer Portal to facilitate the backstop mechanism within the timeframe previously noted.

I also request that DNSPs provide resources to support the design, development, roll out and ongoing maintenance of the CER Installer Portal, including contributing to technical support for the portal, stakeholder engagement and development of training on the portal for installers. I note the Department will also contribute to resources to support the Government elements of the Installer Portal.

The Government will provide your organisation with further guidance on these matters after the conclusion of the public consultation on the backstop measure and seek your views on the appropriate changes to DNSP licence conditions. I trust this letter provides you with the appropriate certainty to progress this work within your businesses.

Should you have any questions about these matters, please contact Sophia Vincent, Director Energy Consumer and Competition Policy at the Department of Climate Change, Energy, the Environment and Water at [REDACTED]

Sincerely

[REDACTED]
Penny Sharpe MLC

Minister for Climate Change, Minister for Energy,
Minister for the Environment, Minister for Heritage

20/12/24
[REDACTED]