

SUBMISSION TO AUSTRALIAN ENERGY REGULATOR ON THE REGULATION OF ALTERNATIVE ENERGY SELLERS UNDER THE NATIONAL ENERGY RETAIL LAW

ISSUES PAPER

REQUESTS FOR SUBMISSIONS

This submission is made in response to the Australian Energy Regulator (AER) request for submissions to the above issues paper.

1. INTRODUCTION

The City thanks the AER for this opportunity to comment on the Regulation of Alternative Energy Sellers. There is a need for the current exempt selling regime to be expanded to permit local generators to export and sell local electricity over local public wires distribution networks to local customers.

Such an arrangement would enable cogeneration/trigeneration, solar PV, renewable and other decentralised renewable energy to export surplus electricity over public wires to other buildings or to enable gas purchase agreements between a renewable gas generator and customers of low or zero carbon energy products without the need to obtain a retail authorisation, or register with the Australian Energy Market Operator (AEMO) to purchase from the wholesale electricity market.

This is especially relevant for precinct trigeneration, because thermal energy is typically bundled with trigeneration electricity as an energy services supply package and customers would also want this energy to be supplied by renewable gas via the gas grid, if available. Precinct renewable energy such as the City's multi-site solar PV program, the largest solar PV program on buildings in Australia, would also benefit from such an arrangement. Governments such as the City of Sydney have depots and similar buildings with large unshaded roofs ideal for solar PV but very little on site electricity consumption. However, this renewable energy resource is unlikely to be realised without economic alternative energy selling arrangements.

Similarly for community renewable energy where alternative energy selling arrangements will be needed if this significant renewable energy potential is to be realised. In addition to the community renewable energy proposal in the City's Renewable Energy Master Plan, NSW Government has also proposed support for community owned renewable energy projects in the NSW Renewable Energy Action Plan.

Such alternative energy selling has been a major feature in advanced economies delivering high levels of precinct or city-wide cogeneration/trigeneration and/or

renewable electricity and renewable gas. For example, in Denmark nearly 50% of domestic electricity demand and 80% of thermal energy demand (heating and cooling) is owned by the customers themselves as individuals or as cooperatives. In Germany, 65% of renewable energy generation, some 35,000MW, is also owned by the customers themselves. Germany also has the largest renewable gas grid injection program in the world with 8.5 billion kWh injected into the gas grid in 2012, providing 5-10% of farm income. Even in the UK, there has been rapid growth in community owned self-generation from 6% in 2011 to 15% in 2013. None of this would have been possible without alternative energy selling arrangements in those countries.

The City supports the concept that an alternative energy seller would be an add-on or supplementary service to an over-arching service provided by an authorised retailer, thus ensuring continuity of essential services. Some features of an alternative energy selling regime for local generation are:

- Customers would retain their Authorised Retailer who must be required by regulation to offer the option of a local generator becoming a secondary energy provider.
- The local generator would hold a retail licence exemption.
- Normal customer protections under the existing retail licence exemption arrangements would apply.
- The local generator would bill the customer directly for local electricity and/or renewable gas supplied, which is netted off the energy component of the Authorised Retailer bill. This is analogous to the subtractive metering approach proposed for sales of energy for the charging of electric vehicles. In the case of sales of locally generated electricity the “child” meter measures the output of the distributed generator (which could be in another building) the energy component of which is netted off the energy account from the master meter at the premises.
- Renewable gas supplied to a local generator may also be a feature of supply to customers and it will be important to those customers for the renewable gas to be accredited as renewable gas via transparent gas purchase agreements, similar to power purchase agreements for renewable electricity generation.
- Network and environmental charges would apply to all electricity received by the customer and be collected by the Authorised Retailer.

There are customer benefits from such an approach. The customer has the choice to receive a portion of their energy which is generated locally or via renewable sources, and the local generator can pass on savings in market charges and distribution losses not incurred by local generation.

5. QUESTIONS FOR STAKEHOLDERS AND NEXT STEPS

- 1. What, if any, other alternative energy selling business models are stakeholders aware of (apart from those listed in section 3), and what future business models do stakeholders consider could emerge?**

As described above there is a need to develop alternative energy selling arrangements to permit local generators to export and sell local electricity over local public wires distribution networks to local customers. Similarly for renewable gas via the gas grid, renewable gas models supplying cogeneration, trigeneration, district heating/cooling and transport will emerge similar to the renewable gas models in Europe, particularly Germany, Scandinavia and the UK.

- 2. What are stakeholder's views on the AER's proposed policy considerations set out in section 3 above?**

The issues paper uses the example of a solar PV provider owning the panels and selling electricity as a supplementary supply to the customer. In this case the supply is delivered behind the market meter and is automatically netted off. For an alternative energy seller to export and sell locally generated electricity to other premises would require the authorised retailer to net the energy component of the alternative supply from its account for the premises. The review should take into account the regulatory arrangements necessary to ensure that authorised retailers would offer such netting-off arrangements.

- 3. What are stakeholders' views on the AER's proposed approach to granting exemptions and authorisations for alternative energy sellers in section 4?**

A retail authorisation should not be required for a local generator to sell electricity to other premises as a supplementary supply. The City supports the concept of retail exemption for alternative energy selling, and notes the AER preference to use individual exemptions for alternative energy sellers. Introduction of a registrable exemption for local generation should be implemented by the AER following a trial of local generator sales under individual exemptions issued by the AER.

Multiple site exemptions are required from a practical stand point for the sale of locally generated electricity (whether by fossil fuel natural gas or renewable gas) as in most cases more than one customer is supplied.

- 4. What, if any, other considerations should the AER take into account to regulate the sale of energy under alternative energy selling models?**

The AER would need to take into account the metering obligations for the local generator/alternative seller to ensure metered generation matches the supplementary supply.

5. What implications, or future implications, could arise for the regulation of alternative energy sellers under the Retail Law, or other consumer protection legislative frameworks?

Division 4 of the National Energy Retail Rules would require amendments to billing provisions to provide for netting-off of the alternative energy supply from the authorised retailer's bill.

6. What, if any, conditions should be placed on an individual exemption for an alternative energy seller?

Customer protections under the existing retail licence exemption arrangements should apply.

PUBLIC STAKEHOLDER FORUM

With regard to the proposed Public Stakeholder Forum in Melbourne the City wishes to register its interest in participating in the Forum via the proposed video link to Sydney.

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