Thursday, 8 July 2021

ABN: 65 149 378 281
National Office: 9 Star Ave,
Dudley Park SA 5008
1300 334 839
www.offgridenergy.com.au
info@offgridenergy.com.au

Founded in 2011, Off-Grid Energy Australia Pty. Ltd. is a leading national provider of standalone power systems (SAPS). Our services include design, supply, deployment, and ongoing customer service. We install SAPS using both accredited employees and contractors.

We support competition in the SAPS market, providing it is on a level playing field. Protecting the integrity and effectiveness of the SAPS market, and consumer choice needs to remain the priority.

OUR CONCERNS:

- The proposed changes appear to be opposite to the clear and important objectives of ring-fencing:

  "The objective of ring-fencing is to provide a regulatory framework that promotes the development of competitive markets, by providing a level playing field for third party providers in new and existing markets for contestable services. Effective ring-fencing arrangements are an important mechanism for promoting increased choice for consumers and more competitive outcomes in markets for energy services."

- The SAPS market is far more matured than the draft implies – it's one of the oldest and best understood segments of the Australian renewable energy market.
- > 6000 CEC SAPS accredited designers/installers in Australia – the main impediment for consumers is upfront cost (not a lack of technology or potential service providers in remote geographies). Innovative SAPS service delivery models – including Power Purchase Agreements - are starting to address cost barriers.
- The draft exaggerates SAPS market inadequacies to justify DNSP participation in generation services.
- The arguments for the proposed changes made in 2.2.2 are clearly speculative and unsupported. We further dispute some of the assertions made in 2.2.2 – including some which are illogical. Arguments to justify these changes, such as *"A third party provider is not available or willing to offer services, "The SAPS may be too small to make outsourcing the generation services economical, or "A third party may not be able to offer the ongoing operating and maintenance required to meet NER technical and performance standards"* extrapolate unusually rare circumstances to appear widespread. We submit that these are not common enough occurrences to justify the softening of the existing ringfencing safeguards and effective waiver system.
- DNSPs have been – and can continue to – engage effectively with 3rd party SAPS providers without the need for a softening of the ring-fencing safeguards.
- Lack of stakeholder engagement: Off-Grid Energy Australia has >1000 SAPS customers nation-wide and has been providing SAPS services for >10 years in every Australian state and territory. We were not engaged, nor were our customers, nor were other leading SAPS services providers that we have reached out to. The draft list of stakeholders appears not to include any major SAPS providers.
- The draft understates the potential market distorting impact of permitting DNSP-led SAPS generation services:
  - The DNSP have access to data for existing consumers connected to the grid which would give them an advantage when designing or supplying a SAPS to replace their grid connection and this would give DNSP's an unfair advantage in the market.
  - focusses only on a small sub-segment of the potential SAPS market (only those customers that are already connected to the respective DNSP networks, and who today might benefit from a switch to SAPS based on today's economic assumption).
  - by using the term 'DNSP-led SAPS' and making reference to only the most extreme potential SAPS 'outliers' - yet there are no proposed protections to prevent the DNSPs from expanding SAPS services beyond the most extreme examples used to help justify these changes.
  - Without the inclusion of explicit limitations, DNSP-led SAPS will not just be limited to 'outliers' identified in this draft but would lead to DSNP participation in - and distortion of - the private SAPS market. DNSPs

are by their very definition the initial contact point for potential SAPS customers broadly - as these customers seek to 'weigh-up' the cost of obtaining a DNSP supplied network connection to their homes vs the cost of a SAPS solution instead, they inevitably contact their local DNSP to seek a quotation for network connection. Whilst 3rd party SAPS providers must invest heavily in sales and marketing to engage with and inform consumers of their options, DNSPs would have no need for such investment.
   - 'DNSP-led' restricts consumer choice and optimal market-led outcomes by preferencing (and possibly locking in) DNSP or DNSP selected 3rd party technologies and solutions. Even if permitted, it is unlikely that many consumers will realise they have the choice to engage a 3rd party provider independent of the DNSP.

OUR PROPOSED CHANGES:

- We are not convinced by the report that changes are needed to current ring-fencing consumer safeguards - the SAPS market continues to be well served by the competitive forces of the open market in conjunction with the ever-evolving regulatory standards and consumer protection frameworks that govern the SAPS sector.
- Detailed examination of the established SAPS market seems to be missing in this discussion and draft. We welcome full stakeholder engagement with SAPS providers on what percentage of the identified 4000 SAPS sites can be serviced by third party providers. We feel that this information should be gathered in full before determining whether ring-fencing changes are necessary.
- The current 'waiver' arrangements are an important safeguard and should be maintained - the argument for which should not be driven by supporting DNSP efficiencies, but rather for efficient SAPS service delivery for consumers.
- Should Exemptions still be implemented, then
   - DNSP SAPS services could be explicitly limited to those potential SAPS sites identified - that are already network connected to the respective DNSP.
   - the concept of 'DNSP-led' should be abolished. There is no evidence to support the idea that this would afford consumers greater protections than the current regulated SAPS private sector.
   - Consumers should have an uninhibited choice to engage 3rd party SAPS service supplier should they prefer. This will also ensure the technological, economic and customer service superiority of a competitively regulated market will continue to drive improved outcomes for consumers.
   - DNSPs should operate on an equal footing with 3rd party SAPS providers. To help with this there could be a requirement for all DNSPs to have to firstly disclose to all potential SAPS customers that it engages with, that they are just one of many potential SAPS solutions providers that the consumer has choice to freely research and engage independently of a proposed DNSP solution.