

Regulated Stand-Alone Power Systems (SAPS) are electricity supply arrangements that are owned, operated or controlled by a distributor.

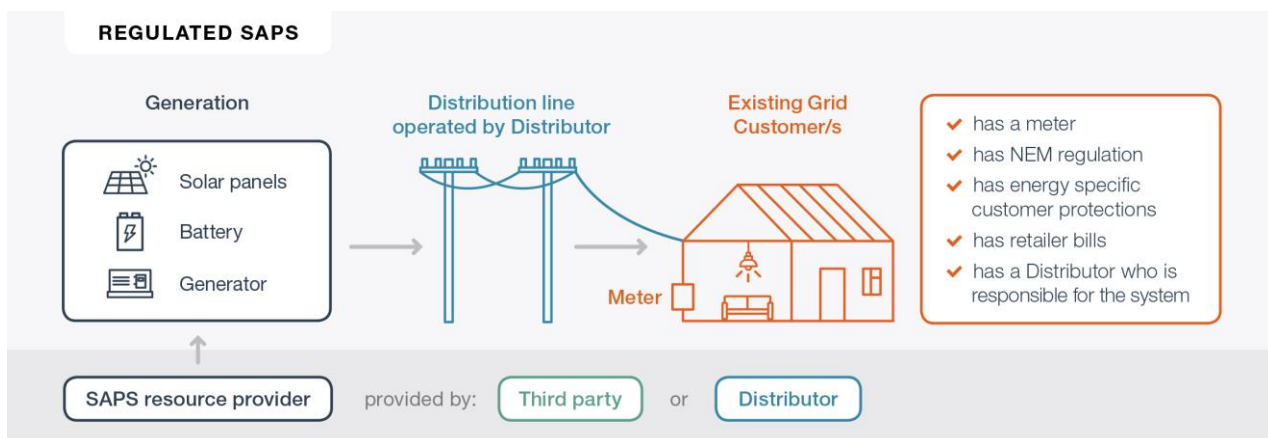
The energy laws and rules are being amended to allow distributors to move some grid-connected customers to SAPS from August 2022, where it is economical to do so.

How does this differ from off-grid houses?

About 2% of households across Australia are “off-grid”.¹ These are households who own and operate their own energy supply. They do not have a retailer or access to the usual National Energy Market (NEM) energy processes and protections. Being private installations, they are not regulated under the NEM framework.²

A “regulated SAPS” (sometimes called distributor-led SAPS) uses similar technology to an off-grid installation. However, it is operated in a different manner to an off-grid installation. In a regulated SAPS the distributor is responsible for the assets. The customer maintains a relationship with their retailer and continues to pay their regular bills. The regulated SAPS customer also retains the ability to select a different retailer, and to access competitive retail rates, products and services available to their location. They have access to NEM energy service standards and other protections, but are not connected to the National Grid.

Figure 1: Regulated SAPS set up



Who provides the generation in a regulated SAPS?

In the NEM the general principle is that generation should be competitive wherever possible and not provided by a monopoly business such as a distributor. Therefore, the required generation is best provided by third party providers, called “SAPS resource providers”.

Distributors identify sites that are economical to switch to a regulated SAPS. Distributors are required to have a SAPS customer engagement guideline to ensure they effectively communicate with customers.

Distributors will seek third party providers to provide generation services via tenders. The elements and design of these services will depend on the location of the SAPS, the number of customers served (i.e. whether it is for a single site or a whole town) and customer load profiles. Distributors will provide this information to the SAPS resource providers to design these services. It is likely that third parties would install, monitor, maintain and repair the generation systems.

Contact the distributors in your area to register your interest in becoming a SAPS resource provider.

In the event a distributor is allowed to own and operate the SAPS generation system, they may still purchase the equipment from a third party.

¹ ARENA, <https://arena.gov.au/renewable-energy/off-grid/>
A Guide for SAPS Resource Providers

² These systems are subject to State or Territory safety legislation.

When can a distributor act as the SAPS resource provider?

The AER is allowing distributors to provide SAPS resource provider services up to a specified generation revenue cap. It is expected that the distributor will still seek tenders from the market to provide the services and that the revenue cap will not allow the distributor to provide all of the regulated SAPS in their area. Therefore, even if a distributor is allowed to own and operate a particular SAPS generation system, it may choose to partner with a third party to be the SAPS resource provider.

What is required from a SAPS resource provider?

The resource provider will need to register as a SAPS resource provider with AEMO and have an ongoing contractual arrangement with the distributor. AEMO will develop detailed registration requirements for SAPS resource providers as required by the National Energy Rules and publish it on the AEMO website. Initially, information will become available via AEMO's [consultation pages](#) as registration and other requirements are developed. We note that a consultation page for SAPS will not be available until late 2021.

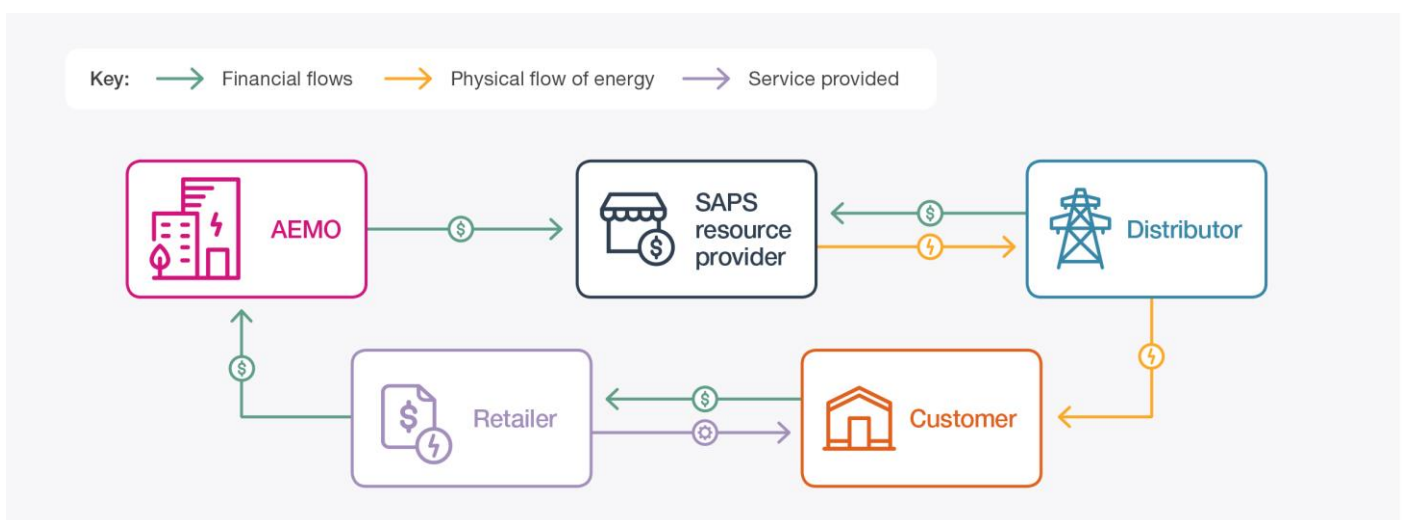
As these systems are to support "NEM consistent" services, reliability and fault repair standards will be expected to be at least as high as those for grid connected premises. Therefore, the third party resource provider would need to meet all applicable service level standards. We note that no additional burden is being placed on existing network customers, and that the maintenance of electricity supply is the responsibility of the distributor and/or the third party provider they have partnered with.

What to expect as a SAPS resource provider?

You will **not** deal directly with the customer. Your main point of contact will be the distributor. Third party SAPS resource providers will receive two types of payments:

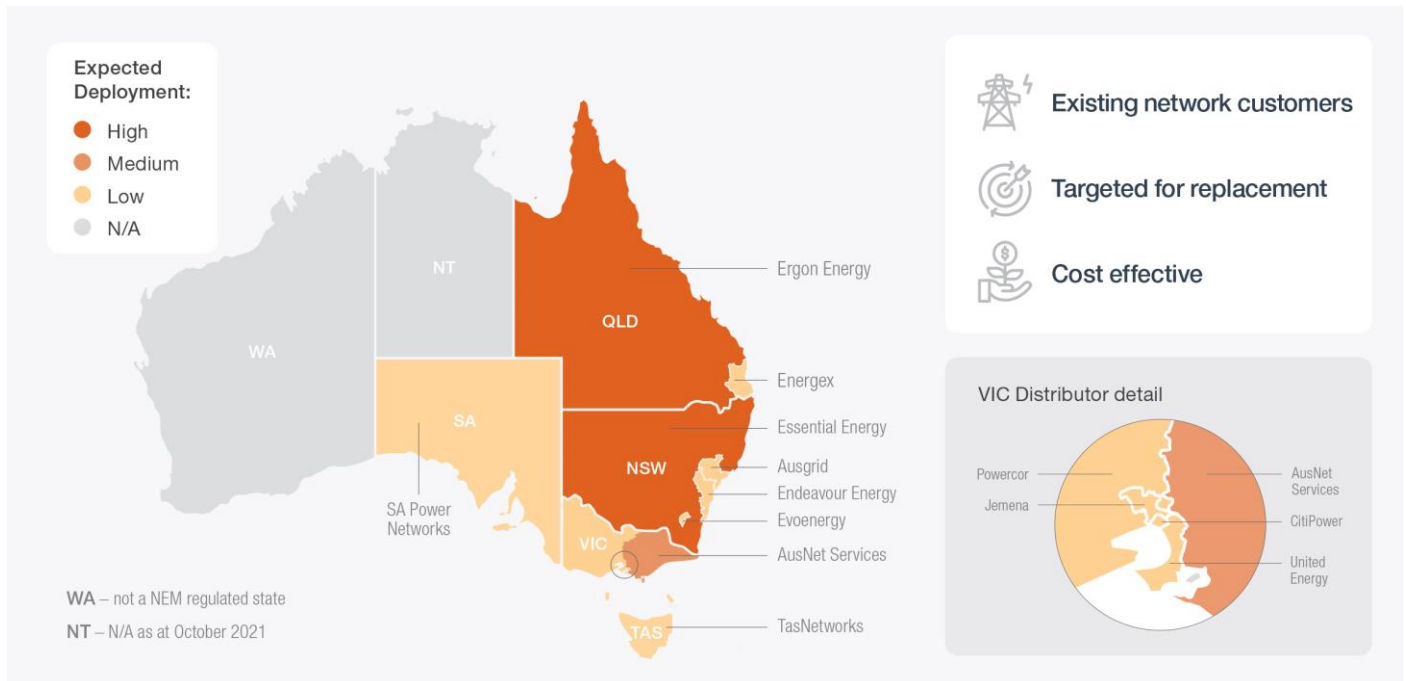
- Administered settlement payments for the energy flows at customer connection points (from AEMO)
- Payments from distributors associated with providing the distribution service

Figure 2: contractual arrangements and energy flows



How many regulated SAPS could there be?

It is not fully known yet as distributors need to analyse their networks to determine which existing grid connected customers may be suitable to move to a regulated SAPS. There could be more than 4,000 sites across QLD, NSW, ACT, Tas, VIC and SA over the next 10 years.



More information

- [AEMC review of the SAPS laws and rules](#)
- [AER review of the ring-fencing guidelines](#) including exemptions for DNSPs operating regulated SAPS to provide SAPS generation services up to a specified cap
- [AEMO SAPS consultation page](#), likely developed in late 2021
- [Who is the distributor in my area?](#)