

16 November 2022

Ms Gillian Gout
Director, Strategic Policy and Energy Systems Innovation
Australian Energy Regulator
GPO Box 3131
Canberra ACT 2601

Dear Gillian

Ring-fencing class waiver – RERT services via voltage management

SA Power Networks welcomes the opportunity to comment on the Australian Energy Regulator's (AER's) Initiation Notice – Assessment for granting a distribution ring-fencing class waiver for Distribution Network Service Providers (DNSPs) to provide contracted Reliability and Emergency Reserve Trader (RERT) services via voltage management to the Australian Energy Market Operator (AEMO).

SA Power Networks strongly supports AEMO's request for a class waiver for a 5 year period, providing incentives for DNSPs to consider investing in systems to unlock otherwise un-used reserves. A shorter waiver period may limit this investment.

We are currently investing in technology that will facilitate voltage management services for our regulated customers. This technology would be capable of providing RERT services to AEMO to assist with maintaining power system reliability and system security.

DNSPs are responsible for voltage management within their distribution systems, so it is unlikely that any other stakeholder will be able to provide RERT services via voltage management to the scale that DNSPs can provide.

A waiver from clause 4.2 of the AER's Ring-fencing guideline (Functional Separation – Offices, staff, branding and promotions) would be required to enable DNSPs to provide these services. It is not possible to functionally separate the provision of unregulated voltage management services from the provision of regulated voltage management services. We also note that the provision of RERT services will only be requested by AEMO during extreme weather and natural disaster events, generation or transmission outages or during outages or reduced contingencies for maintenance of critical infrastructure.

We note that these RERT voltage management services (unregulated services) will be provided using assets that are regulated electricity supply assets. Under the Shared Asset Guideline, unregulated revenue earned from regulated electricity supply assets will be shared with regulated customers where the revenue earned exceeds 1% of the DNSP's annual regulated revenue requirement.

We agree with the AER's assessment and, in particular the following statements:

"DNSPs have the ability to provide an additional form of efficient and low-cost reserve services via voltage management." and

"Allowing DNSPs to contract with AEMO to provide contracted RERT services via voltage management will increase the number of providers available to the RERT panel. This should increase competition in the provision of RERT services which may help to both improve reliability and reduce RERT charges which are passed on to consumers through electricity bills."

Please contact Debbie Voltz on [REDACTED] if you require any further discussion or clarification of the above.

Yours sincerely

[REDACTED]

Patrick Makinson
EXECUTIVE GENERAL MANAGER GOVERNANCE AND REGULATION

