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**Submission regarding:  
Regulating innovative energy selling business models under the National Energy  
Retail Law**

Thank you for the opportunity to contribute to the regulation of innovative energy selling businesses. This review is timely given the profound cost reductions in solar photovoltaics and batteries. Such technological improvements provide significant scope for productivity gains as new business models compete.

SunEdison is the world's largest renewable energy developer, which encompasses residential, commercial and utility solar, and wind. SunEdison is NYEX listed with a market capitalization over USD \$5.8 Million.

SunEdison has built its business on innovations encompassing:

- panel performance - SunEdison manufacture panels; and
- business models - SunEdison offered the first Solar Power Purchase Agreements (PPA) in the USA, which have enabled customers to pay for power rather than panels.

In 2014, SunEdison increased its presence in Australia through the acquisition of Energy Matters, one of Australia's largest independent solar businesses. We are currently working towards bringing our global experience in solar leases and PPAs to Australia. SunEdison has been granted an exemption by AER to provide Solar PPAs.

SunEdison support a principled approach to regulation, as we believe this best provides for a reliable policy environment that can maintain consumer and responsible industry outcomes during a period of growth.

We believe it is important to consider how businesses or consumers may alter their behavior in different regulatory regimes. For example, onerous and costly regulation may encourage consumers to cash purchase hardware rather than a service solution where the alternative energy company stays involved in the operations. This outcome may not be the optimal in economic or risk allocation terms, and may be encouraging consumers to choose to opt out of regulatory protections. SunEdison is concerned that consumers may not necessarily be best placed to decide whether it is better for them to opt out of regulation through investment in hardware. For these reasons we believe

regulation should provide protection for the consumer but that this should be at minimal cost for alternative energy service businesses.

**What difference, if any, should storage and/or other emerging technologies have on how the AER proposes to regulate SPPA and other alternative energy selling models?**

We believe there is no reason for difference when the innovative energy selling business fully provides the customers electricity needs, such as may occur on off-grid solutions.

This issue becomes more complex where consumers are currently connected to the grid with solar and batteries but may choose at a latter date to leave the grid. This may be due to the technology's improving economics or simply due to changed household usage (for example, children leaving the family home). We believe these consumers should have the same regulatory protection as if they were still connected to the grid.

One approach may be to require alternative energy businesses to be authorized as primary energy providers where alternative energy is sized to provide over 20% (say) of the site's needs.

**What are stakeholders' views on the AER's proposed options? Are there other options to which the AER should have regard?**

We are concerned that there may exist a regulatory gap when consumers choose to purchase solar and batteries and leave the grid. Through their investment these consumers have effectively chosen to opt out of regulation.

To the extent AER creates a regulatory hurdle, either through exemption or authorisation, there will be an incentive for businesses to push cash sales as opposed to alternative energy selling models. In general terms, cash sales allocate greater risk to the consumer as compared to alternative energy selling models (where the consumer pays after a service is provided). Hence, the proposed regulatory approach may encourage businesses to push consumers towards models with greater commercial risk and less regulation.

We believe the AER should also consider the regulation of cash sales to ensure consumers appropriately understand how their choice impacts the protections regulation provides.

**In relation to Option 2 (exemption, rather than authorisation), what, if any, conditions should be placed on an individual exemption for an alternative energy seller?**

We believe exemptions for alternative energy business should be capped at a proportion (say 20%) of the site's demand. Authorisation should be required for alternative energy businesses to provide a higher proportion of the site's demand. This will provide the flexibility for consumers to choose at a latter date to leave the grid and to still have their primary electricity provider meeting regulatory standards.

**Should the AER include a 'trigger point' for review of individual cases if it proceeds with Option 2?**

We do not support trigger points associated with sales volumes as we consider this provides:

- Less regulation and protections for new and small businesses where the risks are arguably greater (as compared with a large, proven business with a demonstrated commitment and performance in the industry).

Since 2007 the solar industry has delivered over \$10 billion of capital works through predominately Small and Medium Enterprises. This has occurred with relatively low levels of consumer violations for an industry so young. However, the cases where consumer law was violated tended to involve businesses with a shorter-term track record or commitment to the industry.

Drawing on these lessons, and keen to protect the integrity of alternative energy business models, SunEdison supports regulation to ensure minimum standards within the industry.

We believe this may best be addressed through an Authorisation process at the Company level. The Authorisation process should have regard to:

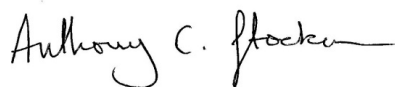
- Financial strength
- Technical Capability
- O&M services and procedures (including response times)
- Customer relations and accessibility
- Achievement of minimal performance standards

The process of Authorisation should be efficient with clear requirements such that businesses, which demonstrate that they meet the requirements, are entitled to Authorisation.

In summary, we wish to see the introduction of “entry criteria” for Authorisation that encourage efficient investment by supplementary energy sellers while also safeguarding the long term interests of energy consumers with respect to price, quality, safety, reliability and security of supply of energy.

Thank you for the opportunity to contribute. We would be grateful to the opportunity to meet with you and your team to discuss these matters.

Kind regards,



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