

25 January 2021



Fiona Towers
Executive Director Energy & Transport
Independent Pricing and Regulatory Tribunal

Submitted online

Dear Ms Towers,

Submission to the draft NSW electricity distribution reliability standards

The Public Interest Advocacy Centre (PIAC) is an independent, non-profit legal centre based in New South Wales. Established in 1982, PIAC tackles systemic issues that have a significant impact upon people who are marginalised and facing disadvantage. We ensure basic rights are enjoyed across the community through litigation, public policy development, communication and training. The Energy + Water Consumers' Advocacy Program represents the interests of low-income and other residential consumers, developing policy and advocating in energy and water markets.

PIAC welcomes the opportunity to respond to the Independent Pricing and Regulatory Tribunal's (IPART) draft reliability standard. This review of the NSW Electricity Distribution Reliability Standard is an opportunity to reset the obligations and expectations of network reliability following unnecessarily high requirements in the past. These led to excess investments ('gold-plating'), and continue to put upward pressure on network prices and challenge affordability for NSW consumers. The review also presents an opportunity to better reflect new technologies such as solar and batteries, which are changing the way essential electricity services can be both delivered and used.

Reliability levels

PIAC supports removing unnecessary overlap or duplication between jurisdictional reliability obligations and national ones, such as the Australian Energy Regulator's (AER) Service Target Performance Incentive Scheme (STPIS). We also support NSW reliability standards acting as a backstop to the STPIS obligations by triggering networks to investigate what is a cost-efficient solution to meeting consumers' value of reliability rather than triggering new investment.

At IPART's public hearing, PIAC noted the draft standard may propose a higher level of reliability with respect to System Average Interruption Frequency Index (SAIFI) than currently required. While the draft standard would not necessarily trigger investment, we are concerned, given the lack of evidence to suggest consumers would prefer a higher level of reliability than they currently receive (and higher consequent network prices). Instead, analysis and evidence suggest many consumers are more concerned with the affordability of energy bills and would potentially trade-off reliability to lower network prices.

PIAC supports IPART's recommendation that:

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The AER's VCR estimates, which are expressed in units of \$/kWh, are not suited to estimating the impact on the efficient frequency of interruptions measured via SAIFI. We consider that more work should be done on measuring the value customers place on the frequency (or infrequency) of interruptions before setting a standard on this basis. This could be included in the next review by the AER of its VCR estimates.¹

PIAC encourages the use of deliberative forums to engage directly with consumers. Deliberative forums are critical to understanding consumers' preferences regarding trade-offs such as price-reliability as they can reveal people's preferences in a way that overcomes the cognitive biases they may experience through simply answering survey questions. PIAC strongly supports IPART conducting deliberative engagement themselves if required to inform future reviews of the reliability standard.

Sydney CBD reliability

PIAC does not object to Ausgrid's claim changes to the current Sydney CBD reliability standards are unnecessary at present. We consider the current network configuration provides ample 'headroom' and the AER's STPIS scheme provides an appropriate control on the reliability experienced by CBD customers.

Stand-Alone Power Systems

PIAC supports allowing Distribution Network Service Providers (DNSP) being able to transition existing customers onto Stand-Alone Power System (SAPS) supply where it is a more efficient and preferable option to retaining traditional grid-connected supply. It is an important tool to lower network prices for all consumers as well as improve the resilience of the customers being transitioned.

However, PIAC is concerned the AEMC's proposed model and the separation of the generation and network components of a SAPS compromises the practicality and workability of the reforms. It is against the long-term interests of consumers if this complexity and burden prevents or delays otherwise efficient SAPS installations from proceeding.²

PIAC supports the work IPART has done through this review to help make the regulatory framework for DNSP-led SAPS workable and streamlined, while maintaining appropriate consumer protections.

PIAC agrees with IPART that "customers of distributor-led SAPS should receive the same customer protections afforded by the licence as other residential and business customers of the distributors."³ In fact, we consider such customers should see no change to the level of customer protections they receive.

PIAC recommends a customer who has been transitioned to a SAPS should have their individual feeder standard set based on the actual feeder length they used to be supplied by. This is more in line with the principle that the customer should see no change in their protections, rather than being defaulted to a 200km feeder as proposed by IPART. This should similarly apply to customers who have been transitioned by their DNSP to a microgrid.

Distributed Energy Resources

PIAC supports IPART's recommendation to include information disclosure requirements for Distributed Energy Resources (DER). Additional information will provide transparency of the

¹ IPART, *Review of the Distribution Reliability Standard – Draft Report*, Oct 2020, 6.

² Some of PIAC's concerns are described in further detail in: PIAC, *Submission to AER ring-fencing issues paper*, December 2020.

³ IPART, 10.

locational and temporal impacts DER has on the network and can help highlight opportunities to make better use of existing or future DER capacity.

As we noted in our earlier submission, it would be inappropriate at this stage to include any reliability standards regarding the two-way flow of energy such as from DER.⁴

PIAC also wishes to clarify our position as stated in IPART's Draft Report:

PIAC noted that the current regulatory framework does not allow the distributors to recover the costs of managing customer exports to the grid therefore the standards should not extend to electricity export.⁵

The concern is not that networks cannot recover the cost of managing exports – networks can recover any costs the regulator deems efficient, including anything required by jurisdictional conditions. Therefore, if required by the NSW Reliability Standards, a DNSP could recover any costs incurred for managing DER or two-way power flows. PIAC's concern is such costs cannot yet be recovered on a beneficiary-pays basis and hence risk exacerbating issues of affordability and fairness for NSW consumers.

Guaranteed Service Level payments

PIAC supports IPART's recommendation to replace customer service standards with Guaranteed Service Levels (GSL) and payments. We consider the proposed 2-tier approach is straightforward and appropriate.

PIAC also considers the application-based GSL payments are a pragmatic solution given the material burden in terms of effort and infrastructure upgrades required to make such payments automatic.

However, PIAC recommends there also be an obligation for clear and accessible information advising eligible consumers that they have the opportunity to seek GSL payments. For instance, this could be through introducing a requirement to advise consumers who have been, or are likely to have been in an affected area, that they may be eligible for GSL payments and the process for applying.

Negotiated residential connections

Negotiated connections for residential consumers (and hence negotiated reliability standards or GSL payment eligibility) is uncommon but this may change in the future. PIAC considers there are opportunities for negotiating lower levels of reliability from traditional grid-supply in exchange for lower network charges and/or through supplementing reliability from other supply sources on a behind-the-meter battery. However, it is essential any such negotiations are conducted fairly and consumers are not forced (or feel they are forced) to accept such an arrangement against their interests. This could be achieved by IPART developing well-defined levels of reliability customers could choose to connect at, with a commensurately different connection cost and GSL eligibility. Alternatively, the way reliability is defined could be changed to include behind-the-meter devices provided by a DNSP (instead of reliability measured at the connection point).

PIAC does not consider there is any need at present to prevent any residential and small business customers on negotiated connection agreements from being eligible to receive GSL payments. However, this issue may need to be re-examined in the next review.

⁴ PIAC, *Submission to the review of NSW distribution reliability standards*, May 2020, 5-6.

⁵ IPART, 64.

Continued engagement

PIAC would welcome the opportunity to meet with IPART and other stakeholders to discuss these issues in more depth.

Yours sincerely,

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