



21 November 2013

Attention: Jacqui Thorpe, Acting General Manager  
Retail Markets Branch, Australian Energy Regulator  
By email: [AERInquiry@aer.gov.au](mailto:AERInquiry@aer.gov.au)

Dear Ms Thorpe,

**Regulation of Alternative Energy Sellers under the *National Energy Retail Law* – Issues Paper**

The sixteen Councils of the southern Sydney region represent 1.6 million people: a quarter of the population of Greater Metropolitan Sydney. Our region extends from Bankstown to Randwick and from the City to Sutherland. Southern Sydney Regional Organisation of Councils (SSROC) is a body established by the sixteen Councils as a mechanism to facilitate their collaboration on a wide range of initiatives, including advocacy, major projects, and procurement.

The energy industry is already a complex one, and is set to become increasingly complicated as renewables, demand management and multiple energy efficiency offerings all gain traction, and the traditional business models of the electricity distributors are threatened. Undoubtedly, the potential for growth and new opportunities will attract many new creative approaches, and some unscrupulous operators seeing to maximise their own gains at the expense of consumers. SSROC therefore strongly supports the initiative to examine the regulation of alternative energy sellers. We appreciate this opportunity to offer comment on the regulation of alternative energy sellers under the National Energy Retail Law in response the Issues Paper.

**SSROC Renewable Energy Master Plan – Our Energy Future**

Our member Councils have a broad aim of increasing the proportion of energy consumed within the region that is derived from renewable sources. As an indication of scale they aim to achieve a proportion of 20% by 2030 (relative to 2010) across the region, but the overriding objectives of the Renewable Energy Initiative are to change attitudes and to overcome the barriers to take-up.

SSROC recently commissioned a study by the Institute for Sustainable Futures, from the University of Technology Sydney, to examine the potential for renewable energy across eight local government areas. A copy of this report, *Our Energy Future*<sup>1</sup>, is attached, and reference is made to it in this submission. The participating Councils are: Ashfield, Bankstown, Canada Bay, Canterbury, Kogarah, Leichhardt, Marrickville and Rockdale. The study included consultation with community members across the area, local businesses, and Council officers. It found a great deal of interest in solar leasing and power-purchase agreements (PPAs) both among residents and local businesses. As a result SSROC and the participating Councils plan to facilitate the delivery of these arrangements

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<sup>1</sup> Ison, N., Ross, K., Cooper, C., Brennan, T., Langham, E., Wynne, L., Riedy, C., and Downes, J.(2013). *Our Energy Future: Renewable Energy Master Plan*. Prepared for the Southern Sydney Regional Organisation of Councils by the Institute for Sustainable Futures, UTS. Available: [www.ssroc.nsw.gov.au/publications](http://www.ssroc.nsw.gov.au/publications)

within the area. Therefore the appropriate regulation of these alternative energy selling models is a critical issue for us and our stakeholders.

**1. What, if any, other alternative energy selling business models are stakeholders aware of (apart from those listed in section 3), and what future business models do stakeholders consider could emerge?**

SSROC is considering a number of business models in relation to renewable energy, and most would be covered by the models described at section 3.1 of the Issues Paper. However, the possible community ownership model might be worth additional consideration to verify this. With the model, a commercial solar PV or wind farm would be developed and owned by a cooperative of community members in conjunction with a PV or turbine host who buys the electricity. (See *Our Energy Future*, section 6.1.3 for more detail.)

It seems likely the urban-regional Council partnership model would necessitate the establishment of company to sell energy via a PPA, but the model might also be worth testing. (See *Our Energy Future*, section 6.3 for more detail.)

SSROC is also aware of the crowd-investment business model, but is not considering this model for any projects in the region. The model uses a crowd-funding platform, but aims to attract investors rather than donations. Again, this model would probably require the establishment of a company to sell energy, but it may be worthy of further investigation by the AER.

**Additional Exemptions Required**

SSROC is keen to see an increase in the take-up of renewable energy, and believes the traditional business models are increasingly inappropriate, create barriers to the growth of renewable energy, and need to be revised. We therefore ask that the AER consider additional exemptions to enable new business models to be introduced. In particular, current exemptions effectively prohibit the distribution of locally generated electricity to local customers, which would be fundamental to most decentralised renewable energy business cases.

Initial investigations into suitable sites for deployment of solar PV have indicated that local Councils have buildings such as depots with extensive rooftops that would be well suited to electricity generation by this means. However, their on-site electricity consumption is very little, and so under the current model this project is not financially viable. SSROC suggests that an exemption should be permitted for agreements between a renewable energy generator and local would-be consumers of low-carbon energy. This would enable Councils to invest in renewable technology on the basis of supplying nearby business that need the energy during the day as well as meeting their own modest on-site needs.

**Credit for Energy Generation**

Our recent project has shown that Councils and communities would like to see a model whereby they are able to claim credit on their electricity bill for energy that they have generated on a different site. For example, a rooftop solar array on one building generates more electricity than it consumes and exports it to the grid, then that export should be reflected at retail rates as a rebate on the electricity bill for another site rather than as a payment at the feed-in tariff rate for the first site.

As an illustration, the roof on top of a Council-owned community centre might be well suited to the deployment of a substantial solar PV system. But because the centre is mainly used in the evenings and night, it will not use the power generated. Consequently the business case, based mainly on revenue generated from the feed-in tariff would be inadequate to justify the investment. However if Council could claim credit for that electricity against its consumption at its administration offices at

the retail rate, the investment could be cost-effective as well as decreasing fossil-fuel consumption and reducing Council's carbon emissions.

SSROC urges the AER to consider and to support the reforms that would enable such a business model to exist in Australia.

## **2. What are stakeholder's views on the AER's proposed policy considerations set out in section 3 above?**

SSROC agrees that, at this stage, customers receiving renewable energy products through an alternative selling arrangement should continue to have an agreement with an Authorised Retailer, which must be required to accommodate the option of an alternative generator becoming a secondary energy provider. We also agree that the alternative generator should not seek to be the sole or primary supplier.

We urge the AER to take into consideration the concepts of credits for a customer's own renewable energy generation and for locally generated energy to be sold to local customers.

## **3. What are stakeholders' views on the AER's proposed approach to granting exemptions and authorisations for alternative energy sellers in section 4?**

SSROC agrees that authorisation is appropriate for sole suppliers of energy, including the case where the supplier might previously have been an alternative energy seller.

SSROC supports the concept of retail exemption for alternative energy selling. We accept the reasons for individual exemptions in the short-term, and would be supportive of registrable exemption once an alternative energy selling model has proved to be effective.

SSROC suggests that individual exemptions for multiple sites should also be permitted in the context of local, precinct-scale energy supply.

## **4. What, if any, other considerations should the AER take into account to regulate the sale of energy under alternative energy selling models?**

The alternative models that SSROC would like to see in operation would need to be enabled by accurate and reliable local metering systems. These would need to be sufficiently robust to satisfy the primary supplier, the secondary supplier and the customer of the credit applied.

In our second alternative model above, Council would be both the alternative energy seller and, at a different location, the customer. If this model were to be enabled, the AER would need to consider the definition of "customer" and "alternative seller" in this context, to ensure that the two entities were the same corporate entity at different sites.

In general, key concerns are that regulation should:

- be simple, transparent and easily understood by all parties;
- provide adequate protections for the consumer;
- stimulate competition between suppliers of alternative energy selling models;
- encourage innovation in the development of new models;
- not restrict or cause restrictions to the development of renewables sector.

These concerns are similar to those listed in section 4.2.1 of the Issues Paper, and SSROC therefore urges the AER to apply these considerations as checks when developing the regulatory framework.

## **5. What implications, or future implications, could arise for the regulation of alternative energy sellers under the *Retail Law*, or other consumer protection legislative frameworks?**

The existing regulatory frameworks would need modification to accommodate the concept of credit and the retail price.

A process of review would be required to consider the merits of a model that has been applied through an individual exemption, and to decide whether or not it could be a class exemption.

**6. What, if any, conditions should be placed on an individual exemption for an alternative energy seller?**

The seller should be required to provide customer protections.

**Conclusion**

SSROC strongly supports the AER's investigation into this area, and is concerned to ensure that appropriate regulation exists for these new business models, but which does not constrain the development of these alternatives. We consider that the proposed approach in section 4 of the Issues Paper strikes a reasonable balance between these two aspects. We therefore offer our support the proposal.

We note that AER may "in future, make alterations to our *Exempt Selling Guideline* (including setting appropriate conditions) and *Retailer Authorisation Guideline* to further explain our treatment of alternative energy sellers under the *Retail Law*". SSROC would appreciate the opportunity to see and comment upon future revisions.

If you would like to discuss or to expand on any aspect of this submission, please contact me or Helen Sloan, Program Manager, on 9330 6455 or [ssroc@ssroc.nsw.gov.au](mailto:ssroc@ssroc.nsw.gov.au).

Yours faithfully,



Alan Northey  
General Manager  
Southern Sydney Regional Organisation of Councils

Attachment: *Our Energy Future*