



Consultation on alternatives to grid-supplied network services

Rule change request from Western Power

Western Power's rule change request seeks to make it easier for distributors to provide off-grid supply to customers where it would be cheaper than replacing or maintaining a grid connection. We are seeking stakeholder feedback on the rule change request.

Off-grid supply as a potential replacement for grid supply

Western Power has submitted a rule change request to the Australian Energy Market Commission. It seeks to remove what Western Power considers to be a regulatory barrier to distributors providing an off-grid supply to remote consumers in place of maintaining and/or replacing the network assets through which those consumers were previously supplied.

Western Power argues that in some locations, it would be cheaper to provide off-grid supply than to maintain and replace long power lines linking remote customers to the national grid. Western Power also states that moving to off-grid supply could potentially offer additional benefits such as improved reliability for remote customers and reduced bushfire risks.

Western Power proposes changes to the definition of "distribution service" in the National Electricity Rules to ensure off-grid supply provided by distributors in place of part of a distribution system is a distribution service. The intention is that this change would allow distributors to provide these services and receive regulated returns, depending on how the Australian Energy Regulator classifies the service.

Forms of off-grid supply

Off-grid supply may take the form of an individual power system or a microgrid.

- An *individual power system* is a power system that supplies electricity to an individual consumer and that is not physically connected to the national electricity system. Typically, it includes a combination of solar PV, energy storage and a diesel generator.
- A *microgrid* is a power system that supplies electricity to multiple consumers and that is not physically connected to the national electricity system. This could include anything from a large town to two farms connected to each other. Power may be supplied by any mix of local generation and storage, and behind-the-meter generation and storage.

Incentives to move to off-grid supply

Customers are currently able to establish off-grid supply at a new property instead of paying for a connection to the grid, or disconnect from the grid and arrange their own power supply (with some restrictions), from a range of businesses offering off-grid supply systems.

However, Western Power contends that customers in remote areas who are currently connected to the grid may not face price incentives to move to off-grid supply where it would be efficient for the grid as a whole for them to do so. If customers purchase off-grid supply systems without subsidies they face costs which are likely to be higher than the subsidised prices they pay for grid supply.

The rule change request raises several complex legal and policy issues.

We seek stakeholder feedback on the issues outlined in the consultation paper

Assessing this rule change request involves considering several complex legal and regulatory issues. Some of these issues are also currently under consideration by the COAG Energy Council in its consultation on stand-alone power systems.

The Commission has published a consultation paper on the rule change request and is seeking stakeholder feedback. The paper sets out a summary of, and background to, the rule change request and outlines the process for making submissions.

Issues for stakeholder comment include:

- costs and benefits of off-grid supply
- competition issues relating to consumers moving from grid supply to off-grid supply
- consumer protection issues
- potential alternatives to the proposed rule change.

Written submissions from stakeholders are requested by **18 July 2017**.

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