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8 March 2018

Ms J.J. Shaw, MLA  
Chair  
Economics and Industry Standing Committee

By email: laeisc@parliament.wa.gov.au

Dear Ms Shaw

### **Re: Committee Inquiry into electricity microgrids in Western Australia**

Thank you for inviting the AER to submit to your inquiry into microgrids and associated technologies in Western Australia.

Microgrids and 'off-grid' technologies offer great potential for enhancing economic efficiencies in relation to the energy market and your inquiry is very timely. These technologies may be able to provide more efficient solutions for many customers in the provision of affordable, secure, reliable and sustainable energy supply. They also create opportunities for supply from service providers other than network businesses and will provide customers with greater choice and control over their electricity supply. The AER promotes contestable solutions and welcomes innovative possibilities that will benefit the end consumer.

As Western Australia has a different regulatory framework from the one we administer in the National Electricity Market (NEM), we aren't in a position to comment on the potential regulatory barriers to efficient microgrid development in Western Australia. We do note however, it has been recognised that these barriers exist in regulation applicable to the NEM.

In the NEM, the main policy direction on this matter has been driven by the Council of Australian Governments Energy Council and their Energy Market Transformation Project Team (EMTPT). The EMTPT has been working with market bodies, and relevant state jurisdictional bodies to develop a model for regulation of 'off-grid' stand-alone power systems. This is part of a more general work stream on changing technologies and business models.

We understand the EMTPT will request the Australian Energy Market Commission (AEMC) to undertake further work to develop policy positions on relevant changes to regulation in regards to microgrids and similar 'off-grid' supply scenarios. This follows earlier work by the AEMC on these issues as part of its consideration of a proposal by Western Power which also raised these matters.

While the regulatory framework in Western Australia is different to the one in the NEM, it may be that any further work by the AEMC and EMTPT will also be relevant to the issues in Western Australia.

We look forward to reading the results of your inquiry.

Yours sincerely

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Chris Pattas  
General Manager  
Network Pricing, Policy, and Compliance