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Ms Sherine Al Shallah
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Australian Energy Market Commission
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29 March 2019

Dear Ms Al Shallah

**Submission to the Australian Energy Market Commission (AEMC):
Review of the Regulatory Frameworks for Stand-Alone Power Systems – Priority 2**

The Energy and Water Ombudsman (SA) Limited (“EWOSA”) welcomes the opportunity to comment on the Australian Energy Market Commission’s Consultation Paper on Priority 2 of the *Review of the Regulatory Frameworks for Stand-Alone Power Systems*.

EWOSA is an independent Energy and Water Ombudsman Scheme in South Australia. It receives, investigates and facilitates the resolution of complaints by customers with regard to (*inter alia*) the connection, supply or sale of electricity, gas or water.

While there are many important issues to consider when establishing an effective regulatory framework for third-party stand-alone power systems (SAPS), the focus of EWOSA’s submission will be on matters associated with dispute resolution and particularly the access for energy consumers to the free and independent services of an energy ombudsman.

We support the development and application of a nationally consistent regulatory framework for third-party SAPS, that would apply across the National Electricity Market (NEM). Consistency is important, so that both energy consumers and energy providers understand their rights and obligations and so that the administrative and compliance costs for third-party providers of SAPS that operate across a number of state or territories are minimised.

For energy consumers with SAPS, whether individual or as part of a microgrid, we believe that they should be provided with the same or very similar customer protections that energy consumers in the NEM are. This includes access to the dispute resolution services of an energy ombudsman.

One method to achieve this would be to require third-party providers of SAPS to become registered network service providers and authorised retailers in a similar way to what has been proposed for new embedded networks under the *Updating the Regulatory Frameworks for Embedded Networks* review. This would require registration and authorisation, but with fewer obligations designed to reduce costs for these market participants, such as there being no need for a third-party provider of SAPS registered as a network service provider to be subject to a regulatory determination. This option would require third-party providers of SAPS in South Australia to become members of EWOSA and thereby give customers of these providers access to free and independent dispute resolution services.

Another option would be to implement a new rule requiring the Australian Energy Regulator to establish an enforceable guideline for third-party providers of SAPS, where the conditions in the guideline could go a significant way to replicating the customer protections in the National Energy Retail Law and Rules. One condition could require third-party providers of SAPS to become members of the energy ombudsman in the jurisdiction(s) in which they operate and thereby give customers of these providers access to free and independent dispute resolution services.

A number of energy ombudsmen have made changes to their fee structures, governance arrangements and internal processes to ensure that they can effectively handle complaints from residential customers of exempt networks and exempt sellers since changes to the AER's exemption guidelines were made in early 2018. These changes made by energy ombudsmen also place energy ombudsmen in a good position to handle complaints from customers of third-party SAPS providers, should such providers be required to become members of an energy ombudsman scheme.

As discussed in the Consultation Paper (page 61):

"If energy ombudsman schemes are not extended to consumers being supplied via a third-party SAPS, consumers will still be covered by the ACL and in some cases, depending on the ownership model of the third-party SAPS, may have access to dispute resolution under some form of tenancy agreement. However, any dispute resolution avenues under the ACL or a tenancy agreement may be more difficult or expensive for consumers to access, and may have less experience resolving consumers' energy issues, than jurisdictional energy ombudsmen."

Such an outcome would not be optimal for energy customers of third-party providers of SAPS who have an unresolved complaint with their supplier.

We note that there may be some individual power systems that are purchased outright by the energy consumer and there is no ongoing contract for the supply and sale of electricity between the provider of the SAPS and the customer. In these cases, it may be that the consumer only has the customer protections afforded by the Australian Consumer Law and those associated with the safety, security and reliability of the power system. There may be no role for an energy ombudsman in these cases.

Should you require further information or have any enquiries in relation to this submission, please email me at antony.clarke@ewosa.com.au or telephone me on (08) 8216 1851.

Yours faithfully



Antony Clarke

Policy and Research Officer

Energy and Water Ombudsman SA