



## INFORMATION PAPER

# Stand-alone Power Systems (SPS)

## Amendment of Electricity Industry (Stand-Alone Power Systems) Regulations 2021

**The Minister for Energy has given approval for the drafting of an amendment to the Electricity Industry (Stand-Alone Power Systems) Regulations 2021 to increase the number of customers that can be served by a single SPS from five to fifty to enable Western Power to pilot small, disconnected microgrids.**

### Background

In the right circumstances, SPS and disconnected microgrids (DMG) are more cost-effective, safer and more reliable than traditional electricity network infrastructure. This is particularly relevant in regional and remote locations where there are outages caused by power supplies travelling long distances, which are exposed to plant and animal impacts, lightning, high winds and bushfires.

Energy Policy WA (EPWA) has previously progressed several initiatives to address legislative and regulatory barriers to allow Western Power and Horizon Power to deploy SPS in appropriate circumstances, including:

- amendments to relevant energy legislation through the *Electricity Industry Amendment Act 2020*;
- changes to the Electricity Networks Access Code 2004 (Access Code) to support Western Power's use of SPS and allow for the recovery of efficient expenditure through regulated network tariffs; and
- a comprehensive review of all relevant regulatory instruments and policies to ensure they cover the use of SPS by Western Power and Horizon Power.

A summary of the regulatory changes are provided at: [Regulatory framework to support stand-alone power systems \(www.wa.gov.au\)](http://www.wa.gov.au).

### Overview

Building on the regulatory framework for SPS, and in consultation with Western Power, EPWA has undertaken a review of the relevant regulatory and policy settings to support Western Power's deployment of its first DMG pilot.

The analysis included a review of key issues related to definitions, supply, connection obligations, consumer protections, compliance and reporting and tariffs.

The review concluded that the legislated definition of an SPS encompasses a DMG and, as such, the regulatory framework established for SPS will support the DMG pilot, with the exception of the Electricity Industry (Stand-Alone Power Systems) Regulations 2021 (SPS Regulations).

## Definition of an SPS (and DMG)

The *Electricity Industry Amendment Act 2020* (Amendment Act), amongst other reforms, inserted a new definition of an SPS into the *Electricity Industry Act 2004* (EI Act). The definition is as follows:

- **stand-alone power system** means wires, apparatus, equipment, plant or buildings (including generating works, a distribution system and any storage works) –
  - a) which together are used, or to be used, for, or in connection with, or to control, the supply of electricity to a single customer or not more than a prescribed number of customers; and
  - b) which are not connected to another electricity network (other than that of the customer or customers).

This definition requires that an SPS is not physically connected to an electricity grid, and that it supplies a single customer or not more than a prescribed number of customers.

The Electricity Industry (Stand-Alone Power Systems) Regulations 2021 currently prescribe that the number of customers a single SPS can serve is five.

To facilitate the Western Power DMG pilot, it is proposed to amend the Electricity Industry (Stand-Alone Power Systems) Regulations 2021 to increase the number of customers an SPS can serve from five to 50 customers.

This increase would accommodate the DMG pilot, and a degree of future-proofing to potentially accommodate a second DMG pilot site which has been identified in Western Power's fifth Access Arrangement. Western Power has advised that of the towns it has identified as being potentially suitable for transition to a DMG over the next 10 years, all have fewer than 50 customers.

EPWA considers the regulatory change appropriate as it has been proposed in response to an identified network need for Western Power's primary network business, intended to facilitate a lowest cost network supply arrangement aimed at reducing network costs for the long-term benefit of all users.

There are sufficient controls on Western Power through its regulatory processes and required Government approvals that it would preclude the creation of new lines of business that are not servicing its primary network.

Western Power is continuing to facilitate private sector opportunities through the delivery of a competitive tender process for the supply of the various components of the DMG pilot.

## Feedback

Comments on the regulations should be emailed to [submissions@energy.wa.gov.au](mailto:submissions@energy.wa.gov.au) by 8 September 2023.

All submissions received will be published on the Energy Policy WA website unless a specific request for confidentiality is made. If this is the case, please indicate which parts of your submission you wish to keep confidential and if you want to remain anonymous. To protect the privacy of individuals, personal contact details will not be published.

The regulations will be provided to the Minister for Energy for final approval once the public comment period has closed and feedback has been considered.

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