

14 March 2025

We thank you for the opportunity to provide a submission for the NSW Emergency Backstop Mechanism and the CER Installer Portal.

The Smart Energy Council (SEC) is the peak independent body for Australia's smart energy industry, representing over 1,300 residential, commercial, and large-scale renewable generation and storage companies, smart transport firms, as well as the renewable hydrogen and ammonia industry.

The SEC has been intimately involved with the rollout of the South Australian emergency backstop mechanism and the Victorian rollout with many installer, retailer, distributor and manufacturer members affected.

The SEC does not support a New South Wales emergency backstop scheme being implemented. Instead, there needs to be a national emergency backstop mechanism that is consistent across networks and jurisdictions.

The issue of minimum demand should also be addressed primarily through a National Battery Booster Scheme to support the uptake of home solar batteries, which will reduce the need for an emergency backstop mechanism.

Australians' strong support for household solar should be seen as an opportunity to be harnessed, rather than a problem to be managed. This requires a change in mindset from regulators and policy makers. It requires the harnessing of the market to drive innovation, rather than the stifling of entrepreneurship and it requires decision-makers to understand the implications of decisions for businesses in a highly competitive global market.

If a New South Wales backstop mechanism is found to be absolutely essential, due to the failure of Australian Governments to agree to a nationally consistent approach, such a scheme should not begin until Spring 2026. This would allow the solar and battery industry sufficient time to ensure it is ready to meet the needs of a single, relatively small (in global terms) jurisdiction.

Further detail is found below.

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Broad points:

1. Emergency backstop as a tool for minimum demand management
2. Experience in Victoria & learnings to avoid
3. Other pressures facing installers & retailers
4. The need for national consistency
5. Remuneration for the industry

POINT 1: Emergency backstop as a tool for minimum demand management

We see the necessity for the system to manage and adapt with the increasing minimum demand challenges that has accompanied the boom of Australians saving thousands through the investment in rooftop solar.

This is a challenge that should be viewed at a higher level as an opportunity of surplus, cheap energy that either needs to have new methods of utilisation during these periods, or be time-shifted to periods of peak demand.

While we accept that the emergency backstop is a useful tool for networks to manage their system loads, there should be a large emphasis placed on the storage of this energy, which is achieved through other actions to address minimum demand as outlined in the consultation paper.

The SEC supports greater investment in large and medium-scale batteries, as well as the increase in household solar battery uptake, noting the NSW Peak Demand Reduction Scheme (PDRS) has seen a positive uptake in solar batteries by households, despite its initial challenges.

The Smart Energy Council has continually called on the Australian Government to implement a federal solar battery rebate through the Small Scale Renewable Scheme (SRES) architecture. This will make a significant contribution to managing minimum system load not just in NSW but across the country.

Additionally, in the establishment of a system such as the emergency backstop, the networks should instead strive for a dynamic operating envelope to provide the most benefit to solar owners.

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POINT 2: Experience in Victoria and learnings to avoid

The implementation of an emergency backstop in Victoria in 2024 has been a disaster for the local solar industry. There are many issues and subsequent impacts, which will be listed below, that stem from a few core problems.

1. The rushed timeframe for implementation
2. The lack of direction from the responsible department (DEECA) towards the networks to implement their systems, which led to a splintered approach between the DNSPs
3. A lack of engagement with industry in the design and implementation of the mechanism
4. A lack of compensation and funding support to the solar and battery industry, including manufacturers, distributors, retailers and installers.

The disastrous approach to Emergency Backstop in Victoria created a system that has three separate models for implementation of the backstop mechanism in a small jurisdiction, with varying levels of success, an uninformed installer base, untested systems, and overall disaster for the solar industry in Victoria. The impact of this rollout cannot be understated and has destroyed the social licence for the rollout of an emergency backstop in other jurisdictions.

The issues felt by the industry in Victoria include, but are not limited to:

1. Unclear & conflicting direction on the treatment of legacy systems with backstop requirements
2. Installation testing failures, as well as visibility and portal operation
3. Equipment compliance testing being delayed and manufacturers (OEMs) required to do three separate tests for compliance due to the lack of DNSP alignment
4. Issues with sites that don't have a stable internet connection, including the
5. Ongoing OEM liability for the live connection that is required to be maintained, with no ability to reclaim these costs
6. DNSP servers going offline and being faulty throughout the implementation period
7. Inconsistent export limits between the different network areas within the state
8. Communications with industry being lacklustre, compounding industry confusion and impacts

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Knock-On Issues:

1. Installers burdening the liability for required returns to site where testing has not been completed due to a utility server failure
2. OEMs being burdened with increased workloads resulting increased costs, which will need to be passed on to consumers, or drive products out of the Australian market
3. Installer opting out of network integration and exports, setting devices to zero export to avoid the issues
4. Poor installer practices being accounted where installers start breaking network & installation rules due to frustration with a broken and complex system
5. Consumer complaints being placed against installers, despite their best efforts to communicate that the installation delays and issues they experience are due to the emergency backstop - a relatively complex concept for the average person

The industry in Victoria has taken millions of dollars in losses due to the impact of the rollout of the emergency backstop mechanism. Jobs have been lost, good installers and retailers have left the industry and there has been significant mental health impacts on people in the industry across the state.

The creation of DEECA's Emergency Backstop Reference Group with regular meetings between industry stakeholders, DNSPs and government stakeholders has seen a significant improvement in the above issues. The Smart Energy Council strongly recommends the replication of this in NSW as soon as possible.

To reduce the brunt of these issues and impacts, industry collaboration on the design and implementation of the emergency backstop mechanism and CER installer portal is essential. There needs to be consistency enforced by NSW DCCEEW to lead the projects. There needs to be a staged process for implementation, with extensive field testing completed in collaboration with each layer of industry involved, much like was successful in SAPN's rollout of their emergency backstop mechanism. And industry needs to be compensated for its involvement in this process and adaptation to the new demands, not just the DNSPs.

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POINT 3: Other pressures facing installers and retailers

The context of which this rollout is occurring is important to be stated to understand the impact that the changes proposed will have on installers and retailers in NSW.

There are a number of interstate businesses within NSW that have been heavily impacted by the Victorian backstop rollout as outlined above.

The NSW Government's announcement of the PDRS, providing rebates for solar batteries, occurred in May 2024 for a 1 November 2024 starting date. This ridiculous and unnecessary time difference between program announcement and the program actually beginning left a significant gap in the installation of batteries in the state, costing businesses millions in losses, jobs were lost, businesses went under and people left the industry.

Furthermore, when the program finally began, flaws in the design of the program left the industry scrambling. Individual solar businesses were left holding tens to hundreds of thousands in liability as there were many issues causing cash flow impacts. The program continues to cause issues to cashflows due to the limited allocation of perks being provided by IPART to ACPs.

Installer and retailer businesses aren't large businesses, with a large amount of small businesses that make up the vast majority of the market. Impacts like these above, have already pushed a significant number to the brink, and any further changes will only cause more damage.

If the NSW emergency backstop mechanism and DER installer portal is rolled out poorly, this will significantly cost these small businesses across NSW and the ACT. There will be jobs lost, businesses will go under and people will leave an industry that is vital to NSW and Australia decarbonising, if this is done without very significant thought for the impacts on the industry.

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POINT 4: The need for national consistency

Australia has long been a global leader in the rooftop PV industry, which has required the industry to be on the forefront of challenges at each stage of expansion. This has often been taken in the stride of global OEMs as it is the first time challenges occur in a market, with the intent to replicate this in other markets. However, the country is now falling into a trap where each state is imposing its own methods of implementation in the instance of the emergency backstop mechanism & CSIP-AUS.

The cost of complying with a single network in Australia borne by manufacturers is equivalent to that of complying with entire countries or groups of countries. This cost is only recuperable by manufacturers increasing the prices of their products. The continual impact of changes in requirements without any compensation is forcing manufacturers to justify whether they stay in the Australian market. The loss of manufacturers that are proactive and take all of the necessary steps to comply with regulations will be of significant loss to the Australian solar industry.

As stated above, the Smart Energy Council does not support a NSW emergency backstop mechanism, instead strongly urges there to be a nationally consistent emergency backstop mechanism established.

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POINT 5: Remuneration for the industry

The costs of the implementation of the Victorian emergency backstop mechanism was able to be passed-through to consumers by the networks. AusNet got paid \$17.2 million, Powercor/Citipower got paid \$11.5 million, United Energy got paid \$6.5 million and Jemena got paid \$8.3 million. The solar industry got paid \$0 and in the hyper competitive marketplace, were unable to pass on their cost to consumers.

The NSW Government needs to make adjustments to ensure that the industry is remunerated for its costs burdened due to their compliance with the requirements.

Additionally, in a staged rollout there should be selected installer/retailer businesses, as well as manufacturers that should be engaged and paid for their time to assist with testing of the rollout in NSW and the ACT.

Should you wish to discuss any of this submission further, please contact:



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Consultation questions

1. Do you support the requirement for NSW DNSPs to harmonise their implementation of the backstop mechanism? If not, please explain why.
 - a. Yes, the SEC strongly supports the harmonisation both across NSW and ACT, but also across all other networks in the country.
2. Are the scope and timelines for the Emergency Backstop Mechanism feasible? If not, please explain why.
 - a. No, these timeframes are not feasible and will present a very high risk to the industry. We strongly recommend aiming for a spring 2026 rollout, with a staged testing program with ample time until this period. There are other options available to manage minimum system demand issues in the interim that we recommend are pursued in the meantime.
3. Do you agree with the order of the hierarchy of measures to increase load in the grid during MSL events? If not, please explain why.
4. Are the design elements of the Emergency Backstop Mechanism appropriate and feasible? If not, please identify why and provide any alternative suggestions.
5. Are the roles and responsibilities of each organisation appropriate and feasible? If not, please identify why and provide any alternative suggestions.
6. Do you support the threshold for the Emergency Backstop Mechanism using CSIP-AUS being 200kW and smaller? If not, please provide detail on what threshold you think is appropriate.
 - i. Yes.
 - a. Do you agree with the approach for systems above 200kW? If not, please explain why and provide any alternative suggestions.
 - ii. Yes.
7. Do you have any concerns or insights into using CSIP-AUS compatible inverters and an internet connection to control the backstop mechanism?
 - a. Yes, the issue of internet connection can prove difficult for anyone without a fixed internet connection, namely remote customers,
8. Is it appropriate for the Emergency Backstop Mechanism to be implemented using technologies and systems consistent with enabling the future use of flexible export limits? If not, please explain why.
 - a. Yes.
9. Which, if any, existing test protocols should be considered for implementation as the consistent test protocol for NSW?

- a. As stated above, there is no consistent method for implementation and we recommend that there should be a nationally consistent approach taken for testing amongst other matters.
10. Do you think the conditions under which the Emergency Backstop Mechanism could be used are appropriate? If not, why? Please suggest any alternative conditions that should be considered.
- a. Yes, given it is a last case scenario.

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