

Issues Paper

Ausgrid: Community Power Network trial

2025

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1. Introduction

The Australian Energy Regulator (**AER**) has established the Energy Innovation Toolkit (also referred to as ‘regulatory sandboxing’); a function that aims to help energy innovators and start-ups navigate complex regulatory frameworks and enable the trial of new products and services that will deliver greater choice and cheaper energy options for consumers.

The Energy Innovation Toolkit framework facilitates trials of innovative projects in part by giving the AER a power to issue trial waivers. A trial waiver temporarily exempts an innovator from having to comply with specific rules that are acting as regulatory barriers to allowing an innovative trial project to proceed. As part of its consideration of trials, the AER is required to publicly consult on the proposals it receives.

The AER is now consulting on Ausgrid’s Community Power Network (CPN) application and is seeking stakeholder views on matters including whether the application meets the eligibility requirements and the innovative trial principles.

The AER must have regard to the eligibility requirements (specified in the National Energy Rules (NER)) and innovative trial principles (specified in the National Energy Laws (NEL)) when considering whether to grant a trial waiver. For more information see **2.1 – How we assess trial waiver applications** below.

Details of the specific trial waiver application from Ausgrid are presented in **Section 2** of this Issues Paper. A full copy of Ausgrid’s application and public attachment (‘Community Power Network: Overview’) is provided separately on our website.

1.1 About the AER

The AER exists to ensure energy consumers are better off, now and in the future. Consumers are at the heart of our work, and we focus on ensuring a secure, reliable, and affordable energy future for Australia. Energy is an essential service for Australian households and businesses, and a critical contributor to the long-term success of the Australian economy.

We regulate electricity networks and covered gas pipelines in all jurisdictions except Western Australia. We set the amount of revenue that network businesses can recover from customers for using these networks. We protect the interests of consumers by enforcing the laws for electricity and gas wholesale and retail markets, as well as networks, across southern and eastern Australia. We monitor and report on the conduct of market participants and the effectiveness of competition.

The AER also administers a range of regulatory sandboxing functions, including the Energy Innovation Toolkit, which was launched in August 2022. The Energy Innovation Toolkit includes an Innovation Enquiry Service which provides guidance to innovators and other market participants about how the current regulatory framework might apply to their proposed product or service.

It also includes two functions relating to trial projects – a trial waiver function which is the responsibility of the AER and a trial rule change function which is the responsibility of the

Australian Energy Market Commission (AEMC). Both kinds of trial function temporarily remove or amend an energy regulatory barrier, allowing projects with an innovative business model to be tested that would normally be unable to proceed under current frameworks. The [Trial Projects Guidelines](#) were published in January 2023 to explain how the AER will consider and assess trial waiver applications.

1.2 Why we are consulting

Ausgrid has applied to the AER for a trial waiver to enable a Community Power Network trial to proceed. Specifically, Ausgrid is seeking a waiver from the clause in the NER relating to the reopening of distribution determination for capital expenditure (NER cl. 6.6.5). If granted, waiving this requirement would allow Ausgrid to include the costs of the Community Power Network in Ausgrid's 2024-29 revenue allowance. Without this waiver, Ausgrid may incur a penalty under the Capital Expenditure Sharing Scheme, which is designed to incentivise efficient expenditure during a determination period. There is also a risk for Ausgrid, if no waiver is granted, that such expenditure is subject to an ex-post prudence and efficiency review, should an overspend of capex occur.

To conduct the trial, Ausgrid would also require a waiver from ring-fencing requirements which prevent distribution businesses from providing non-distribution services, which are otherwise provided by competitive markets.

This trial aims to test the benefits of a distribution network-led model for delivering more solar and battery assets in the local areas. Ausgrid proposes to manage or 'orchestrate' these assets (through managing the battery assets through market trading, addressing peak demand issues and offering other network services), to extract more value to be shared with consumers. More detail on this proposal is presented in section 2. Ausgrid has developed this proposal in response to the AER's recent announcement of the move towards policy-led sandboxing. The AER's policy-led sandboxing approach recognises the significant opportunity to improve access to, and deployment and orchestration of, Consumer Energy Resources (CER) and Distributed Energy Resources (DER) by using our regulatory sandbox to trial new approaches to delivering these assets (such as solar and batteries). At present, not all consumers can access the benefits of CER and DER and there are limited signals and mechanisms for the integration of these benefits into the energy system. Effective access to, and deployment and orchestration of, CER and DER are necessary to deliver a least-cost energy system for all consumers.

The AER is exploring views on this proposal, both the strengths, weaknesses and impacts it may have on industry and consumers. Stakeholder views on the proposal will inform our decision on whether to grant the waiver. Issues raised in consultation may also inform any conditions we impose on the waiver, if granted.

1.3 How to make a submission

You do not need to be an expert to make a submission. If you believe you may be impacted by this proposed trial, or if you have views about the proposal generally, you are welcome to reach out and share your views. You can make a submission that answers some or all of the questions set out in this paper, or you can disregard these and simply provide your views or call out any questions you still have. The questions in this document are only provided as a guide and to help stakeholders explore the issues.

Stakeholders should consider this consultation paper in conjunction with Ausgrid's trial waiver application, which has been published alongside this consultation paper on the AER website and the EIT website.

Submissions to this consultation should be lodged at the following email address: regulatorysandbox@aer.gov.au by **16 September 2025**.

Alternatively, submissions can be mailed to:

Ms Stephanie Jolly
Executive General Manager, Consumer, Policy and Markets Division
Australian Energy Regulator
GPO Box 520
Melbourne VIC 3001

Submissions should be in PDF, Microsoft Word or another text readable document format.

To facilitate an informed and transparent consultative process we prefer all submissions to be publicly available. The AER will treat all submissions as public documents unless otherwise requested.

Parties wishing to provide a submission that contains confidential information are requested to:

- clearly identify the information that is the subject of the confidentiality claim, and provide reasons for the claim; and
- provide a separate, non-confidential version of the submission in a form suitable for publication.

If you are not able to provide a separate, non-confidential version of the submission, please reach out to the AER at the above email address to discuss options. We are interested to receive all relevant feedback and will facilitate reasonable requests. For further information regarding the use and disclosure of information provided to us, see the [ACCC/AER Information Policy](#), published June 2014.

1.4 Public stakeholder engagement workshops

To facilitate discussions, we will hold 3 separate stakeholder workshops during the public consultation period, with a workshop for each of the following groups of stakeholders:

- Retailers, aggregators and advocacy groups
- Networks and network advocacy groups
- Government, consumer advocates and consumers

The aim of these workshops is for stakeholders to engage with the AER and have an opportunity to discuss their views directly with the AER.

We recognise that there may be divergent stakeholder views on the waiver application and more generally on the role of distribution network service providers (DNSPs) in this space. We will hold targeted workshops for different stakeholder groups to facilitate open and frank

discussions. We hope this format will allow stakeholders to feel comfortable to share their views freely. Stakeholders can register for these workshops on the AER’s website.

1.5 Next steps / timeline

The proposed timeline for our assessment of Ausgrid’s proposal is as follows. While we will endeavour to make decisions within the proposed timeframe, there may be complexities which require a longer period for us to fully consider the issues and arrive at a decision.

Consultation timeline

Consultation stage	Timing
Consultation opens	6 August 2025
Workshops	25, 26, 27 August 2025 (online)
Consultation closes	16 September 2025
Final decision	November 2025

2. Trial project summary

Ausgrid is a DNSP servicing the greater Sydney region of New South Wales. Its total customer base is nearly 2 million homes and businesses, and the regulated asset base for its electricity distribution business is around \$16 billion. Ausgrid proposes to trial its Community Power Network in two regions: Charmhaven (a largely, residential area on the Central Coast of NSW) and Mascot-Botany (an area in inner Sydney, which has a mix of commercial and industrial customers, as well as many apartment buildings). These locations were chosen as they represent different challenges in providing equitable access to CER/DER assets under current market structures. The financing of the project is outlined in more detail under section 3.3 below, with the total project costs for this trial proposed to be approximately \$110 million, or \$180 million should Ausgrid step in as solar owner of last resort and install solar generation. This trial would directly affect around 32,000 of Ausgrid's customers who live or own properties/businesses within the trial areas. The trial would also indirectly affect Ausgrid's broader customer base in relation to funding, emissions reduction and broader network learnings.

As part of the trial Ausgrid is proposing to purchase, own and operate 130MWh of battery assets, as well as potentially up to 70MW of solar generation assets across the two trial areas. To incentivise solar installation (particularly on commercial and industrial buildings), Ausgrid intends to offer a higher feed-in tariff than is currently available through ordinary retail offers. The locations of these assets would be informed by Ausgrid's spatial energy plan that will map out the current energy loads, network constraints and CER/DER assets in the trial locations, and identify the optimal locations for future CER/DER assets.

Ausgrid intends it will then play an orchestration role in managing the battery assets, through minimising peak demand and reducing minimum demand issues, working to reduce the amount of network augmentation required to meet future network needs. As Ausgrid intends to control these assets, it will also be able to provide services to the market, such as selling electricity to the wholesale market and provide ancillary support services. Ausgrid expects this will generate value, which it proposes will be delivered to consumers through a 'CPN dividend' payment.

If successful, the trial may lead to increased solar network capacity, improved network utilisation and reduce emissions. The distribution of dividends from a DNSP to customers may also be novel and innovative, and customers in the pilot area may experience lower costs overall.

2.1 How we assess trial waiver applications

In considering whether to grant a trial waiver to Ausgrid, the AER must have regard to the eligibility requirements specified in the National Energy Rules¹ and the innovative trial principles specified in the National Energy Laws.²

¹ NER clause 8.16.4(a).

² NEL section 18ZL(2).

In assessing whether this proposal meets the eligibility criteria, the AER will have regard to whether:

- Ausgrid’s proposal is likely to contribute to the development of regulatory and industry experience
- Ausgrid’s proposal may have an adverse effect on the safety, reliability or security of supply of energy (and the measures that Ausgrid will take to avoid or mitigate such risks)
- Ausgrid’s proposal may have an adverse effect on the Australian Energy Market Operator’s (AEMO’s) operation and/or administration of the power system, the market, the declared distribution systems and declared transmission system for gas or markets for natural gas and the measures that the proponent will take to avoid or mitigate such adverse effects; and
- the extent and nature of Ausgrid’s claimed confidential information may impair:
 - the AER’s ability to provide appropriate public transparency in relation to the conduct and outcomes of trial projects; or
 - the appropriate development of regulatory and industry experience arising from the trial project.

The AER must also have regard to the innovative trial principles including, relevantly,³ whether the proposal:

- could otherwise not proceed under the existing regulatory framework
- develops new or materially improved approaches to the use, supply or demand for electricity and/or customer retail services
- whether the trial is able to be evaluated and has potential to be successfully expanded
- contributes to achieving the National Electricity Objective
- maintains adequate consumer protections – including mitigation of risks to consumers where these may arise
- may impact on competition in the national energy market or a competitive sector of the national electricity market.

In addition, the AER may have regard to any other matter it considers relevant when considering whether to grant a trial waiver.⁴

Through the work on policy-led sandboxing, the AER identified three overarching policy questions we would like to explore through different trials:

- 1) What types of relationships (between distributors, retailers, co-operatives, embedded networks, third parties and customers) and/or ownership models for CER/DER could better enable access to, and deployment and orchestration of, CER/DER?

³ There is no requirement that the AER must be satisfied that all principles are met to grant a waiver.

⁴ See NER clause 8.16.4(b) and clause 4.2(e) of the Trial Projects Guidelines.

- 2) How might the benefits of deployment and orchestration of CER/DER be valued, and that value accrued and distributed, to deliver a least-cost energy system? What role could a Distribution System Operator (a party responsible for real-time system operation of the distribution network) play?
- 3) Which model(s) for access to, and deployment and orchestration of, CER/DER build consumer trust and social licence for mass adoption and orchestration of CER/DER?

To guide the design and evaluation of trials, the AER developed six principles that will help guide the design and evaluation of trials.

- 1) Equitable access to CER/DER
- 2) Facilitating deployment and orchestration
- 3) Lowest whole-of-system cost
- 4) Meeting consumer needs
- 5) Scalability and replicability
- 6) System challenges

Ausgrid's trial application notes this proposal aligns with the policy-led sandboxing priority area of exploring 'network-led orchestration or coordination'.⁵

Overall, the AER takes a holistic approach to the consideration of the eligibility requirements and innovative trial principles when assessing each application.

- 1. As our first policy-led sandboxing trial application, the AER welcomes feedback from stakeholders on how this trial may help answer our three policy questions arising from policy-led sandboxing.**
 - 2. We also welcome feedback on how this meets our six policy principles.**
- We encourage you to keep these in mind when considering your responses in other sections.**

⁵ See page 33 of Ausgrid's 'CPN Overview' document.

3. Issues we are exploring

The following sections explore key elements of Ausgrid's application and the AER's consideration of it according to each of the innovative trial principles, as well as additional considerations relevant to this specific application:

- Requirement for a waiver
- Potential to develop new or materially improved approaches to energy services
- Proposed funding and what happens at the end of the trial, including its potential for expansion if successful
- Contribution to achieving the National Electricity Objective
- Consumer protections and risks
- Competition impacts
- Potential conditions, should the AER decide to grant a waiver

The AER must also have regard to whether the application may have an adverse effect on AEMO's operation and/or administration of the power system, the market, the declared distribution systems and declared transmission system for gas or markets for natural gas and the measures that the proponent will take to avoid or mitigate such adverse effects. This is predominately a matter for AEMO to consider with the AER, but if stakeholders have views about these impacts, they are welcome to provide these to the AER for consideration.

In addition, the AER welcomes feedback on any other aspects of the trial waiver application.

3.1 Requirement for a waiver

Under the innovative trial principles, the AER considers whether the trial project is unable to proceed under the existing regulatory framework. In its trial application, Ausgrid highlights that there may be adverse consequences should this proposed project proceed without a trial waiver and/or ringfencing waiver.

As the cost for this trial is not included in Ausgrid's current expenditure determination, it has sought a waiver from NER cl. 6.6.5. This clause allows the AER to approve additional capital expenditure not included in a DNSP's revenue determination in certain circumstances.

What is a Regulatory Asset Base?

The regulatory asset base (RAB) represents the total economic value of assets that provide network services to customers. The value of the RAB substantially impacts a network service provider's revenue requirement and the total cost a customer ultimately pays.⁶

The AER's final decision on Ausgrid's 2024-29 distribution revenue proposal is available on the [AER's website](#).

Without this trial waiver to reopen the expenditure determination, Ausgrid may incur penalties under the Capital Expenditure Sharing Scheme at the end of the 2024-29 period. If no waiver

is granted, there is a risk that such expenditure is subject to an ex-post prudency and efficiency review, should an overspend of capex occur.⁷ The AER is currently considering whether the trial rules allow the waiver as requested, from NER cl. 6.6.5, to be granted, or if an alternative mechanism is more appropriate. The AER will continue to work with Ausgrid on how to best navigate current regulatory barriers and understand through which mechanism this is best considered.

Additionally, Ausgrid also notes the need for a waiver from ring-fencing requirements as outlined in the Distribution Ring-fencing Guideline in relation to leasing out battery storage capacity and a future waiver from ring-fencing requirements if it needs to be the 'solar owner of last resort'.⁸ If it were to proceed with these activities without a waiver, Ausgrid would be in breach of the ring-fencing requirements.

3.2 Potential to develop new or materially improved approaches to energy services

Under the innovative trial principles, we will have regard to whether the proposed project is able to be trialled and evaluated, is a new or materially improved approach to the use, supply or demand for electricity and/or customer retail services, and is something which could result in materially improved services and outcomes for consumers. A further factor the AER considers in assessing trial waiver applications is whether the trial contributes to the development of regulatory and industry experience.

Ausgrid notes that its proposed trial will test the hypothesis that *'the coordinated deployment and orchestration of distributed storage by the network operator can deliver the lowest cost of electricity to all customers.'*⁹

Ausgrid has identified several intended learnings around improving the utilisation of the network, such as improved operation of local networks, and improvements in load management and voltage management. Additionally, Ausgrid notes that this additional investment may reduce over-voltage related equipment malfunctions, supporting learnings around how better network utilisation may benefit customers through lowered systems costs.

These learnings are driven by the role Ausgrid will play in orchestrating the network. Ausgrid notes that this proposal involves the development of a spatial energy plan, which will be used to assess capacities and issues in the local network. It will determine the appropriate amount of storage that is required to be installed at each location to balance the grid and deliver the trial. Ausgrid note this is designed to avoid over-investment in areas from uncoordinated development. Ausgrid notes this work will test if *'DNSP-led orchestration of batteries can deliver a superior benefit for customers.'* Ausgrid has identified a number of areas that can be explored through this trial.¹⁰ This includes examining the operation of the demand system

⁷ More information on the Capital expenditure sharing scheme is available on the [AER's website](#).

⁸ The objective of ring-fencing is to promote the development of competitive markets and seeks to prevent cross-subsidisation and discriminatory behaviour by DNPS with their related contestable businesses. More information is available in the [Ring-Fencing guideline \(electricity distribution\) 2025](#).

⁹ See page 2 of Ausgrid's 'CPN Overview' document.

¹⁰ See page 31 of Ausgrid's 'CPN Overview' document for the full list of questions.

operation model and how this may enable other benefits such as upstream network cost reductions and improved grid utilisation.

Ausgrid also notes learnings relating to customer diversity within trial areas, the impact of oversized solar on top of commercial and industrial buildings on the commercial market, how to use batteries to reduce connection costs, load management and balancing for peak capacity, dynamic pricing signals, whether batteries reduce the need to manage CER/DER, power quality, and whether the trial opens up new hosting capacity.

Ausgrid also notes benefits will be accrued through the provision of services to the market, such as selling on the wholesale market or providing other network services. These are expected to generate value for consumers, which are expected to be delivered to consumers through a 'CPN dividend' payment. The exact delivery method will be finalised as part of the trial and is being developed by Ausgrid working in partnership with RACE for 2030 and University of NSW. It is expected to be finalised within two-and-a-half years of the trial commencing. Ausgrid has included further information on the process of developing a methodology for this dividend in its application.

The AER is also interested in exploring how the spatial energy plan could provide important learnings and information to the broader market beyond this trial. For example, as part of the move to policy-led sandboxing, one of the identified areas for exploration was network-led orchestration or coordination, with a second relating to network data visibility as an enabler. Through providing this valuable network data about areas that would benefit from new CER/DER installations, this may support third parties to deliver competitive, market-led proposals in parallel to Ausgrid's trial. The ability to compare the outcomes, costs and consumer benefits between a DNSP-led project with a third party-led one may deliver additional benefits to the market, regulators and policy makers alike.

Where trial applications are granted, we generally use conditions to support evaluation of the trial and to ensure the learnings from this trial are shared most effectively. We discuss potential conditions for Ausgrid's trial in section 3.7.

- 3. What potential do you see in the trial to develop new and improved services for consumers?**
- 4. Which elements of the trial do you consider will generate the most valuable learnings?**
- 5. How might this trial contribute to future regulatory reforms or industry practices?**
- 6. Could the spatial energy plan deliver broader benefits or support other trials?**

3.3 Proposed funding and what happens at the end of the trial

There is no innovative trial principle specifically addressing project costs, as not all trials impose a cost on consumers, however, as this proposal has a cost impact on consumers, the AER is seeking feedback on how these costs are allocated and recovered.

In this specific proposal, Ausgrid would initially seek to recover the costs of the project from customers within its broader network area, with a separate dedicated pilot funding component. Ausgrid has proposed to allocate costs based on how and to whom benefits of the trial are likely to accrue. Ausgrid proposes that benefits associated with emissions reduction, demand system operator and orchestration capabilities and demand balancing (through additional battery capacity) are broad based benefits that accrue to all Ausgrid customers. Conversely, Ausgrid has identified that there are some benefits that will accrue directly to those customers within the trial area.

Ausgrid identifies the funding for this trial will come from three sources:¹¹

1. Commercial and private investment: proposed to be provided by commercial entities and private property owners through investing in additional solar (\$76.3 million).
2. General Ausgrid customer base: proposed to be added to the SCS RAB and will be recovered from all Ausgrid customers (\$72.8 million). This is anticipated to equate to approximately \$0.97 per customer per annum.¹²
3. Community Power Network self-funding: \$37.6 million, proposed to be funded by Ausgrid upfront. Of this component, Ausgrid forecasts that approximately \$19.3 million will be recovered from benefits generated by the trial.¹³

How the remaining portion of the third funding source is recovered is dependent on which pathway is followed at trial completion (discussed below). Once other operating costs have been paid, the remaining amount of the benefits stack will then form the CPN dividend to be paid to customers. The application notes this customer dividend will be underwritten by Ausgrid and will never be negative. Ausgrid note that this will not be attempted to be recovered from customers. Additionally, all benefits from the beginning of the trial operations will contribute to the customer dividend.

There are several ways in which these costs could be allocated and consequently recovered from customers. Many traditional network investments have cost recovery pathways that are broader than the drivers of the costs. For example, low voltage network feeder augmentations are completed and rolled into the RAB, becoming sunk costs recoverable from all network customers and not from those customers connected to that feeder who benefit directly from greater levels of reliability as a result. Conversely, large connections that directly drive network costs share in those costs through capital contributions to support necessary upstream network augmentation. By its nature as a sandboxing proposal, this trial is a novel concept and there is not an established cost allocation approach. While Ausgrid's proposed proportional allocation is one approach, an alternative approach could include the potential for all costs to be allocated to the RAB. These diverse approaches raise broader issues about cross-subsidisation included below.

Under the innovative trial principles, the AER will consider whether the trial has the potential to be successfully expanded. The AER welcomes views on how to determine if the trial is

¹¹ See section 4.2 (page 21) and table 4.1 (page 22) of Ausgrid's 'CPN Overview' document for more information the costs.

¹² See Figure 4.1 (page 21) of Ausgrid's 'CPN Overview' document.

¹³ See figure 4.3 (page 26) of Ausgrid's 'CPN Overview' document for more information, including what benefits will be used to repay the CPN cost.

considered successful. Ausgrid considers this will be measured by whether the pilot generates benefits for customer and reduced peak demand at the zone substations involved.

As such, Ausgrid proposes two options for next steps post the trial's conclusion:

1. Under the first pathway, the Community Power Network project continues under the 2029-34 regulatory determination, whereby the project is recognised as a 'distribution service'. Ausgrid may have therefore successfully proven its hypothesis that *'the coordinated deployment and orchestration of distributed storage by the network operator can deliver the lowest cost of electricity to all customers.'* This would mean the project would continue with ongoing DNSP-led orchestration in Ausgrid's network. If this pathway is followed, the assets will continue to be operated by Ausgrid and generating benefits that will be used to continue to pay off the remaining value on the assets.
2. Under the second pathway, should the trial be unsuccessful, Ausgrid proposes at the end of the trial period that core assets (solar if owned, batteries and other equipment) may be sold to a third party. Where sale proceeds do not cover the remaining costs, Ausgrid will cover any shortfall, ensuring customers do not continue to pay for these assets beyond the trial period. Due to the broader benefits to all consumers, the assets of the demand system operation, such as the spatial energy plan and associated support, will remain on the Standard Control Services Regulatory Asset Base, an effective reversion to current settings.

7. **If all Ausgrid customers may derive some benefit from the learnings of the trial through the provision of shared system insights, how could the trial be funded?**
8. **What are your overall views on the proposed recovery of costs of this trial?**
9. **What are your views on Ausgrid's pathways upon conclusion of the trial? Are there alternative pathways that Ausgrid should consider?**
10. **What other factor/s should be taken into account when considering if the trial is successful?**

3.4 Contribution to achieving the National Electricity Objective

Under the innovative trial principles, the AER will consider whether a trial project is likely to contribute to the achievement of the National Electricity Objective. This relates to promoting efficient investment, operation and use of electricity services for the long-term interests of consumers of electricity.¹⁴ Some of the AER's policy-led sandboxing principles also relate to this objective, such as lowest whole-of-system cost and system challenges (including network load and resilience).

Ausgrid's application notes that this will be achieved by lowering energy costs, enhancing grid stability and accelerating decarbonisation. Ausgrid has also noted the ways in which this

¹⁴ The National Electricity Objective is stated in the [National Electricity Law](#) or available on the [AEMC's website](#).

trial will support improved network utilisation and potentially defer or avoid network augmentation. For example, this trial has the potential to reduce overall peak demand, free up hosting capacity for new loads (such as data centres) and reduce evening peaks. These types of benefits can all contribute to potential efficiency improvements.

Similarly, considerations in relation to competition are relevant to efficiency because harms to competition can impact investment and drive costs up over the long term. Competition impacts are explored further at section 3.6.

11. What are your views on how this trial could contribute to the achievement of the National Electricity Objective?

3.5 Consumer protections and risks

Under the innovative trial principles, the AER will also consider whether a trial project maintains adequate consumer protections, including whether the trial project may involve risks to consumers and (if so), how those risks might be mitigated. The AER is interested in exploring any impacts this trial may have on consumers and ensure that consumer protections are sufficient in this context. The benefits Ausgrid intends the trial to generate include:

- lower unit rate energy costs for all customers in the selected locations;
- enable a faster realisation of NSW and national decarbonisation targets; and
- decouple the need for customers to personally own CER to share in its benefits.

One of the key mechanisms for sharing these benefits is the ‘CPN dividend’ which aims to extend the benefits of solar and storage to customers who cannot install CER (either due to building issues, access to finance or other barriers). Ausgrid has noted it is currently in discussions with RACE for 2030 and UNSW to explore options to define equitable dividend distribution, which will be finalised with the AER if the pilot moves forward. It is also presently unknown how the dividends (once an equitable distribution is determined) will be provided to trial customers.

In the absence of a pre-determined mechanism for delivering dividends to customers practically as well as equitably, the AER is interested in exploring trial conditions that would impose a minimum requirement for delivery (which could potentially be overridden by more preferable, tailored solutions, at a later stage of the trial at the AER’s discretion).

Under the Community Power Network trial, customers can not opt out of the trial. Additionally, customers may need to opt in to a payment process to receive dividend payments if Ausgrid’s proposal for retailers to pass on the dividend is unsuccessful.¹⁵ Its proposal is otherwise that all customers in the pilot regions will automatically receive any benefits generated by the Community Power Network. Ausgrid have noted it has committed to underwrite the pilot so that customers never receive a less than zero dividend during the trial period, meaning it is proposed that trial customers will be no worse off under the trial. On this issue, the AER’s default position is customers must be able to opt out of trials, however

¹⁵ See sections 3.4.7, 3.4.6 and table 2.1 of Ausgrid’s ‘CPN Overview’ document.

there may be circumstances where it is not practicable for this to occur.¹⁶ The AER welcomes stakeholder views on this issue.

The trial waiver application also notes that current protections through the existing retail framework will remain intact. However, as this trial represents a change to current market structures, as well as involving more consumer assets, such as rooftop solar, the AER is exploring whether additional protections should be considered. It is Ausgrid’s intention that all interactions continue as is between customers and retailers. Customers may also opt-in to receiving a higher feed-in tariff for solar exports, but customers may need to sign-up to a new plan with their retailer to access these higher feed-in tariffs. The trial provides for Ausgrid to supply front-of-meter orchestration services to customers through the control of energy flows, which could improve power quality for customers.

In its application, Ausgrid has noted that to ensure transparency and provide customers with easy access to information, it will leverage its website and call centre. This will include a dedicated webpage providing information on the Community Power Network, while the call centre will be able to provide support or respond to specific inquiries. Given this trial represents a change to how the market currently operates, the AER welcomes views on whether existing consumer protections remain sufficient and whether there are opportunities to test appropriate protections as part of the trial.

- 12. How should equitable dividend distribution be defined?**
- 13. What sort of principles and process considerations should guide design of a delivery mechanism for consumer dividends as part of this trial?**
- 14. Noting Ausgrid’s commitment that no consumers will be worse off in trial area, what are your views on consumers not having the ability opt out of this trial??**
- 15. What other consumer protections should be considered?**
- 16. What information would you like to see if you were a consumer in a pilot area?**
- 17. Are there other benefits or costs of this trial that may impact consumers? How these should be managed?**
- 18. How might the trial support innovations in other areas or support the development of new markets or services that would benefit consumers?**

3.6 Competition impacts

A further consideration under the innovative trial principles is whether the trial project may impact on competition in a competitive sector of the national electricity market. While the AER is interested in testing DNSP-led deployments through policy-led sandboxing, benefits must be considered alongside any potential detriments to the competitive market.

The relevant factors the AER considers regarding competition impacts include the energy market in which a trial project would operate, whether a trial project may reduce competition,

¹⁶ Section 6.3 of the Trial Projects Guidelines.

and whether a trial may confer an unfair advantage on the proponent, including potential for cross-subsidisation and discrimination.

Competition is generally the most efficient way to deliver energy services for consumers. DNSPs are generally not permitted to participate in contestable markets because of the risk that their monopoly position in distribution services could damage competition in other markets. However, there are exceptions made to this, for example, where a DNSP can provide a service without damaging competition because of the conditions in the market, because there has been some kind of market failure or because the benefits of DNSP involvement outweigh the risks.

Ausgrid is seeking to test whether it can orchestrate CER and DER to share benefits of local solar generation and consumption across all consumers in the trial regions. The AER is interested in understanding whether there has been a market failure which Ausgrid's involvement can address. We are also interested in whether network-led orchestration can deliver greater benefits to a wider range of consumers including those without CER and DER than alternative models, and how this should be considered in light of any competitive impacts.

The AER is also interested in exploring what those competition impacts may be. This includes the extent to which the trial would result in an ability for Ausgrid to discriminate against or crowd out competing service providers or, alternatively, stimulate activity in new markets.

Ausgrid's trial waiver application notes that due to the pilot nature of this trial, any impacts upon competition can be monitored and adjusted to address emerging concerns. The application does not provide information on how this will be monitored and adjusted by Ausgrid. The AER welcomes views on how these competition issues may be monitored below in section 3.7. The proposal also notes other market participants (such as retailers, aggregators and DER providers) may face risks, such as market coordination challenges, revenue uncertainty and market disruption. However, Ausgrid notes this concern is mitigated by limiting the trial to two geographically constrained locations. The AER is also interested in exploring the extent to which the trial would result in an ability for Ausgrid to discriminate against or crowd out competing service providers or, alternatively, stimulate activity in new markets.

The trial is concentrated on Mascot-Botany and Charmhaven, which have been chosen specifically to test the different challenges in providing equitable access to battery and solar assets.¹⁷ We welcome stakeholder feedback on the extent to which geographical constraints mitigate risks to competition and on whether there are particular sub-markets or competition issues that should be considered given the selection of these trial locations.

19. How could Ausgrid's proposed trial impact the contestable markets in which it seeks to participate? Which markets could be affected and in what ways?

¹⁷ See 'CPN: Overview' section 3.3 (page 13) for a greater discussion of the pilot locations.

- 20. How might the proposed trial support competition in other areas or support the development of new markets or services that would benefit consumers?**
- 21. What other benefits could be delivered, or learnings contributed, by Ausgrid's proposal to orchestrate CER and DER?**
- 22. How might any risks be mitigated?**

3.7 Potential conditions

Should a waiver be granted, the AER will also consider what conditions might be attached to maximise learnings for the market, while also supporting our work in monitoring conduct and trial outcomes. The AER welcomes feedback and views on potential conditions such as:

- The information and data to be provided through the spatial energy plan and frequency of updates to the market to allow third parties to respond to market needs. This may also require the AER to have oversight over applications to install assets and the associated fees or alternatively, require Ausgrid to providing information to the AER on these applications. This would allow the AER to assess and monitor that Ausgrid is allowing third party providers to respond to market conditions while also ensuring transparency. Alternatively, transparency and reporting obligations could be imposed on Ausgrid as part of the trial conditions.
- Ausgrid providing the AER oversight of the tendering and procurement of third-party solar installers to provide clear justification, if any, for Ausgrid to be the 'solar owner of last resort'.
- Requirements around reporting, including:
 - number of consumer complaints and questions, the nature of these and how quickly they have been resolved
 - measure of value created and delivered to customers
 - the amount of solar and batteries installed in the trial areas (including volume of capacity in the trial regions, names of contracting parties and other terms and conditions Ausgrid has entered into with these third parties)
 - quantified benefits derived from these assets, including the estimated benefits to be returned to customers, and how this compared with Ausgrid's estimates
 - evidence of improved network utilisation and outcomes for consumers (including quantified benefits, reduced network augmentation and how these deliver reduced whole of system costs for consumers)
 - evidence of delayed or deferred network investment
 - frequency of public reporting and what potential topics or issues to be included in the final trial report.

As outlined in our open letter to the energy sector and new strategy to support customers affected by family violence, the AER recognises our role in preventing the misuse of consumer information, particularly in relation to family violence and financial abuse.¹⁸ The AER welcomes stakeholder views and input on how consumer information is best protected,

¹⁸ This letter is available [here](#) on the AER's website.

while ensuring effective provision of information to monitoring of the impacts on different consumers through this trial.

Additionally, the AER is interested in how conditions could help monitor and protect competition through this trial, while also ensuring learnings are maximised for the broader market.

23. What, if any, other conditions should be placed on the waiver to ensure consumers and their private information are protected, while maximising trial benefits and learnings?

24. What conditions should be placed on the waiver to monitor and protect competition while ensuring the trial generates learnings for all participants?

25. What reporting conditions or other requirements should the AER consider?

26. What data should the AER and/or Ausgrid publish (and when) to maximise learnings and benefits from the trial and are there specific metrics that should be used?