



23 September 2025

Ms Stephanie Jolly  
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Australian Energy Regulator  
GPO Box 520  
Melbourne VIC 3001

Via e-mail: [regulatorysandbox@aer.gov.au](mailto:regulatorysandbox@aer.gov.au)

Dear Stephanie,

### **Ausgrid: Community Power Network Trial – Issues paper**

Alinta Energy welcomes this opportunity to respond to the Australian Energy Regulator's issues paper on Ausgrid's proposed Community Power Network (CPN) trial ("the trial").

Alinta Energy is an active investor in energy markets across Australia with an owned and contracted generation portfolio of over 3,300MW and more than one million electricity and gas customers. We have also been at the forefront of driving retail competition and delivering substantial benefits to consumers across competitive energy markets for many years.

The CPN sandbox application seeks to waive some of the regulations facing Ausgrid under the National Electricity Rules, specifically-

- Clause 6.6.5 allowing the AER to approve additional capital expenditure not included under Ausgrid's current determination; and
- Clause 6.17.1, which requires Distribution Network Service Providers (DNSPs) to comply with the AER's Ring-Fencing Guidelines.

We understand that Ausgrid's application is the first under the AER's Energy Innovation Toolkit ('regulatory sandboxing').

We do not support the trial being granted a waiver from the NER at this time – Ausgrid needs to resolve several concerns with the trial scope and design before it should proceed, including (but not limited to):

- Issues relating to competitive neutrality and impacts on the contestable market for electricity and Consumer Energy Resources (CER);
- The scope of the trial and the partial recovery of its costs via regulated network revenue;
- Consumer protections and engagement with retailers to deliver trial benefits;
- The testability of the trial's hypothesis and performance metric; and
- The precedent a trial waiver would create in a market subject to numerous ongoing reforms nationally.

### **Competition concerns and relationship with other workstreams**

The National Consumer Energy Resources (CER) Taskforce is already considering how CER should be integrated into distribution system operations, including standards, dynamic operating envelopes, and

the roles of DNSPs, retailers, and other energy service providers. Importantly, the Taskforce's M3/P5 consultation paper makes clear that market orchestration of CER is best undertaken by *customer agents*. That is, authorised retailers and energy service providers, not by DNSPs.<sup>1</sup>

While Ausgrid has undertaken some engagement with retailers and stakeholders (as noted in the appendix), more work is required to resolve risks in the current trial design and the implied roles and responsibilities. Without deeper and more transparent engagement, the current design of the trial risks creating serious competitive distortions and undermining confidence in the future development of CER markets.

Most objectives of the trial could be achieved through genuine partnerships between Ausgrid, as DNSP, and third parties such as retailers, aggregators, and other energy service providers. Instead, the trial defaults to a regulated approach to orchestration. This is deeply problematic. If the trial sets a precedent for regulated orchestration as a network service, it will directly suppress competitive alternatives and constrain innovation. It will also reduce the ability of customers to realise the true benefits of CER, most of which derive from wholesale market arbitrage, a function that is inherently competitive and not a natural monopoly service. Crucially, Ausgrid has failed to identify any market failure that would justify the sandboxing proposal to extend to competitive market functions.

The trial also lacks a credible counterfactual. Its hypothesis, 'that coordinated deployment and orchestration of distributed storage by a DNSP delivers the lowest cost of electricity for all customers'<sup>2</sup>, cannot be meaningfully tested under the current design. Proving this would require DNSPs to permanently engage retailers or market participants capable of making wholesale transactions, and to sustain higher feed-in tariffs at a time when the wholesale value of midday solar is frequently negative. These assumptions are unrealistic and unsustainable.

In addition to setting a concerning precedent for future waivers, the trial risks crowding out private, contestable investment in CER orchestration. It would give Ausgrid unfair scale and cost-recovery advantages as a monopoly network service provider, stifling the very competition that drives efficiency, innovation, and customer benefit. Ausgrid states that it will operate the CPN as if it were a regulated business, with a regulated return. This approach is at odds with the competitive provision of CER products and services and suggests that regulated provision of the orchestration will result in lower costs, but ignores the impact of competitive pressure, the cross-subsidisation of the trial by other Ausgrid consumers and the impact on innovation and customer choice. Ausgrid may also face potential conflicts of interest that could be difficult to manage through trial waiver conditions, including favouring its own assets or distorting market signals. This due to Ausgrid performing the role of de facto trader of energy, network operator and distribution system operator.

## **Challenges with trial design**

### Dividends and higher feed-in tariff benefits

Participating customers in the trial will be supplied by a potentially large number of authorised retailers in New South Wales given the trial's scale. Much of the consumer benefit depends on the distribution of the CPN dividend and the provision of higher feed-in tariffs. Both benefits are most efficiently delivered by retailers through current billing functions, however the AER notes 'It is presently unknown how the dividends...will be provided to trial customers'.<sup>3</sup>

The mechanism supporting such a fundamental element of the incentive component of the trial should be known ahead of any waiver being granted or exemption from the Ring-Fencing Guidelines.

A higher feed-in tariff offer would likely require participating retailers to develop a new product featuring the higher FIT. Customer consent would be required for customers to receive this higher FIT. A higher FIT is inconsistent with recent market signals for customers to use excess solar generation at times of surplus in the middle of the day and is contrary to the Default Market Offer load profile, which now excludes solar exports, increasing retailer hedging costs and amplifying cross subsidies between solar

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<sup>1</sup> Department of Climate Change, Energy, the Environment and Water (2025), *Redefining roles and responsibilities for power system and market operations in a high CER future - Consultation Paper to progress M3/P5 workstreams of the National CER Roadmap*, page 34.

<sup>2</sup> AER (2025), *Ausgrid: Community Power Network trial – Issues paper*, page 9.

<sup>3</sup> Ibid., page 13.

and non-solar customers.

#### Orchestration and scale of CPN trial.

The trial will only examine DNSP orchestration of batteries and does not consider alternative orchestration approaches (which could run in parallel). For example, aggregator and retailer orchestration of batteries. This may limit the insights the trial will provide and concentrates the benefits to a single model of orchestration.

While Ausgrid has chosen to scale the trial at the zone substation level (to achieve a sufficient level of customer diversity balanced with a compact geographic network footprint), this choice will involve a significant number of customers. While limiting the scope to two geographic areas, there will inevitably be impacts on the contestable market for CER orchestration, Virtual Power Plants, electric vehicle and other CER products and services. The costs crowding out of competitive services due to the trial must be considered against the requirements and principles the AER applies to assess eligibility under the NER and National Energy Laws.

#### Trial funding and performance metrics

We understand that a primary purpose of the trial waiver is to use regulated revenue under Ausgrid's 2024-29 revenue allowance to fund some of the costs associated with the trial. Putting to one side the use of standard control service revenue to fund non SCS functions, or the absence of regulatory investment test (RIT-D), we are concerned that granting a waiver would create a precedent where regulated revenue is used to subsidise commercial activities, normally funded by private, competitive investment subject to a business case. While the spatial plan proposal and network insights the trial may produce have merit, the impact on the contestable market for CER (solar PV, battery storage) will not be immaterial and made permanent if the trial is deemed a success when concluded.

The boundary between monopoly network service provider functions and the contestable market is challenged by the proposed trial. Alinta Energy supports the important role of networks in determining consistent and reasonable dynamic operating envelopes and communicating with inverters via backstop mechanisms, but the proposed trial clearly overlaps with contestable activities in the electricity market.

The performance metrics proposed by Ausgrid, set out in figure 3.5 of Ausgrid's regulatory sandbox application identify the key areas of the trial's success, but not the parameters or the threshold below which the metric is no considered a success.<sup>4</sup> We would welcome further detail of how the metrics will be measured and reported on.

#### Consumer protections

The trial design assumes consumer interactions with their retailer continue as normal. However, as discussed above, delivery of benefits to consumers upon which the trial's success depends largely on the consumer billing and contractual arrangements with their retailer. Changes to product features (such as the level of the FIT), may in many cases require customer explicit informed consent. Payment of dividends as a line item may not be a simple change for individual retailers and may incur cost. It is unclear how under the trial, customers unable to opt out can participate if their current retailer chooses not to pass the benefits of the CPN on via billing functions or amending market retail contracts held with the customer.

Alinta Energy assumes dispute resolution will be subject to the Energy and Water Ombudsman of New South Wales as Ausgrid is a member.

#### **Trial conditions if a waiver is granted**

While our position is that this sandbox proposal for a trial waiver does not proceed at this time, should the AER grant a waiver under the Energy Innovation Toolkit sandboxing framework, appropriate conditions are required. These conditions would include those described by the AER on page 16 of its consultation paper and others including:

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<sup>4</sup> Ausgrid (2025), *Regulatory sandbox application – Revision 2, Community Power Network*, page 18.

- Regular updates on the spatial energy plan that identify market gaps and hosting issue for third parties.
- AER oversight of tendering and procurement of solar installers to justify Ausgrid's role as 'solar owner of last resort' and open tendering and access.
- Clarity around the prioritisation and reasoning behind dispatch of CER for network support, market revenue opportunities and benefits aimed at consumers participating in the trial.
- The AER monitoring the cost of the trial and managing any variations to these costs should they materially increase or decrease from budgeted amounts.
- Detailed reporting requirements covering:
  - Consumer complaint and dispute resolution processes and information about these complaints.
  - Benefits (dividends, higher FIT paid) delivered to customers.
  - Information on battery assets deployed under the trial (including how they are utilised in the wholesale market).
  - Quantification of consumer benefits;
  - Changes in network utilisation, avoided augmentation costs and wholesale market impacts;
  - Publication of reported information on a regular basis.
- A clear process for the trial's conclusion that binds Ausgrid to exit and sunset provisions.
- An audit of trial performance and reporting.

Alinta Energy welcomes any further opportunity to discuss our response with the AER, please contact [REDACTED] ([REDACTED]) in the first instance.

Yours sincerely

[REDACTED]  
General Manager, Government & Regulatory Affairs