

18 September 2025

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

regulatorysandbox@aer.gov.au

Dear Ms Jolly,

Ausgrid: Community Power Network trial – Issues Paper

The Ausgrid Customer Consultative Committee (CCC)¹ and Network Innovation Advisory Committee (NIAC)² welcome the opportunity to provide a submission to the Australian Energy Regulator (AER) on the Issues Paper related to Ausgrid's Community Power Network Trial (CPNT) and related waiver applications. We acknowledge both the financial support and open and detailed engagement Ausgrid has provided to enable the preparation of this submission.

The committees commend Ausgrid for exploring innovative ways to pursue the important objectives of delivering customer benefits through improving the utilisation of the existing network and increasing the application of renewable energy technologies at the customer level. We see a lot of merit in this proposal and recognise that it would test a range of important steps forward in the current energy environment. We also acknowledge that this is a complex and multi-faceted challenge that does not lend itself to a simple solution.

However, we have indicated to Ausgrid in detailed correspondence last week that we are unable to support the CPNT in its current form. We believe that Ausgrid needs to take more steps in addressing the issues impacting consumers including long-term costs, engagement needs, monitoring and measures of success and risks and benefits to all consumers that are inherent in this proposal. We are prepared to meet with the AER to discuss these concerns in more detail.

While we have had extensive engagement with Ausgrid, there are still some matters that are unclear. At this stage we still lack the understanding needed to be able to fully assess the CNPT. The discussions with Ausgrid have raised the following 'work in progress' conclusions:

- As well as resolving a barrier to an innovative new business model, ***the use of the proposed sandbox approach includes getting customers to fund the innovation***: we are not convinced that broader adoption of a waiver to NER 6.6.5 to obtain Ausgrid consumer funding is the best approach to supporting a new business model that is in the long-term interests of consumers
- ***We do not believe the project meets the NIAC assessment criteria for an innovation project***: using Ausgrid's own innovation tests, we do not think the project would meet NIAC governance requirements for innovation
- ***We are not convinced that the modelling to date supports the proposal***: we would like to see the impact of using updated assumptions in the 2025 AEMO Inputs Assumptions and Scenarios

¹ <https://www.ausgrid.com.au/In-your-community/Community-Engagement/Customer-consultative-and-specialist-committees/CCC>

² <https://www.ausgrid.com.au/In-your-community/Community-Engagement/Customer-consultative-and-specialist-committees/Network-Innovation-Advisory-Committee>

Report³ that includes the impact of the recently started Federal Government's Cheaper Home Batteries Programme; Ausgrid are yet to identify potential avoided or delayed transmission and large-scale generation investments delivered by the project; we believe that the inclusion of the value of emission reduction benefits at \$42.6m (\$1/customer/year⁴) which provides a major part of the justification for the \$72.8m increase in Ausgrid capex, distorts the benefits calculation

We recognise that that Ausgrid can use the emission reductions value in a CBA when assessing an investment; what may not be appropriate is then monetising this value and adding it to the RAB; the approach Ausgrid has taken needs to be considered and tested; we would recommend that the AER as part of its decision on this application provide guidance on how networks are allowed to use the value of emissions reductions in their network expenditure proposals.

- ***There are costs and risks for Ausgrid customers both inside and outside the trial zones:*** for customers in the trial zones – the potential ending of the attractive feed-in-tariff (FiT) and the ongoing exposure to export tariffs at the end of the trial; while one of Ausgrid's exit strategies would see the sale of the trial assets and a commitment for the purchaser to honour the FiT for the life of those assets, there is no guarantee that a commercial party would accept these terms; no opt out; for customer outside of the trial zones – questionable benefits but real costs; for all customers - the absence of a transparent cost-benefit analysis such as a RIT-D to know if this is the best option
- ***We would have liked to see more information on how the equitable distribution of the benefits will be defined and ensured:*** Ausgrid argue this should not delay the trial; we think that while detailed information on the actual proposed allocation is not required, Ausgrid's customers should get more information up front on who is likely to get the benefits and be able to assess a draft framework that would underpin the benefit allocation methodology
- ***Based on the application of the Better Resets Handbook⁵ we would have liked to see more extensive stakeholder engagement:*** there is no formal engagement plan which should have been the case for a project of this size and complexity, particularly where customers are unable to "opt out"; engagement seems to have been at the lower end of the IAP2 spectrum⁶; there has been little engagement with customers outside of the trial zones and no engagement with any customers on how the dividends should be shared and how trial success should be measured with Ausgrid assuming success is based on only the size of the dividend
- ***At the end of the trial, consumers will only have the results of one trial to assess the benefits of any permanent waiver to make this service a standard control service for any DNSP in the NEM:*** Ausgrid claims it is the only party that can properly undertake this type of trial; we are not convinced and believe it is leveraging its monopoly position to not only reduce competition within trial areas but also prevent parallel trials in other areas; Ausgrid should offer the required network information and the trial battery tariff Ausgrid will use for its own batteries to the market to incentivise a parallel trial; then consumers will have the results of two trials to inform any future application by Ausgrid to have a permanent ring fencing waiver for these orchestration services
- ***The important role of ring-fencing:*** ring-fencing provides critical protections to competition and the bar to waive conditions must be set high, with only the minimum necessary conditions waived.

³ <https://www.aemo.com.au/consultations/current-and-closed-consultations/2025-iasr>

⁴ See Ausgrid application p. 7

⁵ <https://www.aer.gov.au/industry/registers/resources/guidelines/better-resets-handbook-towards-consumer-centric-network-proposals>

⁶ https://cdn.ymaws.com/www.iap2.org/resource/resmgr/pillars/iap2_spectrum_2024.pdf

While the CCC and NIAC fully support the benefits to consumers of increased CER/DER orchestration through better utilisation of the distribution network, at this stage we have advised Ausgrid that we are unable to support this application in its current form for three reasons:

- **Cost and equity** – the impact on Ausgrid customers outside of the trial areas who will be required to pay at least a portion of the RAB capex when they have not been consulted on the costs they are expected to bear (at least return on and return of ~\$10m) nor the proposed benefits; Ausgrid customers within the trial areas will not know how the dividends will be ‘equitably distributed’ until 18 months after the trial begins
- **Lack of clear Ausgrid wide customer support for the trial** – which would have been shown with the implementation of a formal engagement plan building on the Better Resets Handbook guidelines
- **Adverse competition impact** – Ausgrid is the only party undertaking the trial; this means that were Ausgrid, at the end of the five year trial, to make an application to the AER for a permanent ring fencing waiver for this service to be a DNSP Standard Control Service, the AER and consumers will not have any counterfactual to determine whether the DNSP-led approach is the best option that is in the long-term interests of consumers.

We understand that there may be potential legal obstacles to the AER providing the waiver to allow a re-opening of the 2024-29 revenue determination to allow all Ausgrid customers to provide the \$72.8m capex. If this legal barrier exists then Ausgrid will need to source alternative funding from outside of Ausgrid’s customers. Should the project remain viable, this would mean a major concern we have with the trial disappears and addressing our issues above will be much simpler.

There are a lot of moving parts to this proposal, which was first presented to the CCC in November 2024 and NIAC in May 2025. In the time available to prepare this submission we have appreciated Ausgrid’s willingness to engage as we asked lots of questions to better understand the project and its risks. Last week, we shared with Ausgrid a very detailed draft submission outlining our concerns that are summarised here and this has precipitated further discussions with Ausgrid.

These discussions have explored opportunities for the Ausgrid team and the CCC/NIAC to work together on addressing our key concerns. We have proposed to Ausgrid a temporary pause in the waiver application process to give Ausgrid time to more effectively engage with the consumer panels and to collaboratively address these issues. If the above legal barrier exists then these discussions should not take long.

Summary

We commend Ausgrid for raising new initiatives for the benefit for consumers. We are keen to see a project like this succeed, or at least meaningfully tested in the current regulatory environment. We also note that this is not an ‘easy fix’ and will require a solution that spans many aspects of the regulatory framework and includes some conversations that may ultimately be difficult, if not impossible, to resolve.

Although the CCC and NIAC recognise the benefits for consumers, we remain unable to endorse the proposal in its current form due to outstanding commercial and technical concerns. We remain supportive of the general concept and goal of the trial and look forward to Ausgrid agreeing to our proposal for further discussion of our concerns.

Yours Sincerely

[Redacted Signature]

Members of Ausgrid Customer Consultative Committee and Network Innovation Advisory Committee