

Ausgrid CPN consultation: Workshop 1 – Networks and network advocacy groups

Monday, 25 August 2025, 10-12pm

Introduction

The workshop commenced with AER Board Deputy Chair, Justin Oliver, welcoming attendees for their participation and discussed the waiver requested by Ausgrid. He noted the object of the trial to test the benefits and opportunities of the proposed trial and the need to consider this against the potential impact on consumers and competition. These workshops are an opportunity to test, explore and challenge the details of the proposals and allow participants to share their views.

Questions for Ausgrid

Ausgrid provided an overview of their proposal, including the need for change, how the proposal will solve these issues, how consumers will benefit and why Ausgrid is proposing to lead this. Participants were then provided the opportunity to ask Ausgrid questions on the operation of the trial.

There were no participant questions at this session. Ausgrid then left the meeting.

Topic 1: Trial learnings and new or improved approaches to services

AER staff provided an introduction, the guiding questions and welcomed other thoughts or questions on this topic. These guiding questions are available in the published slides.

Participant

- Queried the amount of value the trial would create and noted that the benefits are fairly high-level at this point. Noted they were interested in knowing if new value was created, or if this represented a wealth transfer. Benefits may come through avoided network augmentation and reduced congestion, however if no solar is being curtailed during the day, the only benefit comes from solar being arbitrated in the market.
- AER staff noted the intention of a trial is to test whether these benefits can be delivered to customers. AER staff queried if the proponent saw value in testing which of these different outcomes occurred.
- Participant noted that other market integration trials in this space had more value upfront and more that you could test. More information was needed around how their intentions lined up with outcomes, such as flattening load on the network and what value this created. Another participant noted that the load is less of an issue and instead the focus is on solar generation constraints.

Network representative

- Noted the community benefits, such as what does that look like and how do you provide good, long-term value and how to manage community expectations.

Participant

- Questioned if Ausgrid is underwriting the \$22.9 million, if this is in effect being underwritten by consumers.
- AER staff noted that part of the cost of the trial would be added to the Ausgrid RAB, however the mechanism is still to be determined, and the \$22.9 million has been underwritten by Ausgrid to not be recovered from customers.

Network representative

- Queried if the dividend payment will be the same by customer class, such as a residential customer and a commercial and industrial customer.
- AER staff noted the aim is to have an 'equitable distribution,' however this is still to be determined by UNSW and Race for 2030.
 - This was noted by the network representative as an interesting learning.

Network representative

- Noted it will be interesting to see how the community values and responds to this trial. And how other members of the community adopt it, if customers find this suitable, if it is desired by customers and what structure would work. If there is a new way to get local value and customers are happy with it, this can be done across the NEM. That is a valuable insight.

Network representative

- Noted the trial would be useful to help other networks understand how to better integrate CER and deliver better customer benefits. This was supported by other network representatives, including what was learnt and what is valued by customers. Other networks may adopt it if it has broad acceptance.

Topic 2: National Electricity Objective (NEO)

AER Board member, Justin Oliver

- Noted the different objectives in the context of long-term interests of consumers. Noted the different factors in the NEO, including bringing in greenhouse gas emissions and welcomed thoughts on potential weighting.

Network representative

- Noted this should test the claim of avoided transmission augmentation. Using existing infrastructure is efficient and in line with NEO, also if you can get firmed renewables at a lower cost per unit. Trial may also improve power quality.

Network representative

- Echoed above comments. Also noted that there is an energy transition risk that we may not meet emissions targets or that we spend more than budgeted and this will be worn by customers. Goes to coordination issue around unlocking distribution component that requires parties to work together. May provide alternative to transmission investment or

overbuilding of new renewable generation. Not just testing the power quality and security but also goes to price and emissions around what is the transition going to cost, how much to build to achieve this, and is there a way to unlock the local network in a way that is equitable and effective.

- Counterfactual is, will the market otherwise unlock this and/or do we proceed with the transmission focused transition as per the ISP? Does that falter or do market solutions address this, or a network solution? Overall, can we afford to wait, or is there a 'plan b' networks can offer? This is central to the NEO.

Topic 3: Competition and determining project success

Network representative

- Interested in how batteries would work in an area like this in a coordinated way and what impact this would have on the network. Would there be more congestion as batteries follow market and not network-led signals? To support competition, there is a need to discover what level of network orchestration or involvement is required in battery operation and how much does this diminish the market value of the battery.
- How much do networks need to orchestrate batteries to maintain power quality and reliability of the network? This is an important learning. This involves the contestable market in that we are bringing together multiple parties in who controls the battery and who owns the generation. A network cannot do this alone and will need to partner. Who is best placed to lead these partnerships? Do they occur organically or do networks need to take a leading role?
- Networks will always need to play an active role in connection and management of batteries, even if not involved in the commercial model. The most hands-off model is to do a map (example EV charging or battery locations), and the market can make connection applications. The next step is networks provide visibility and seek out connections (either through batching or fast track to improve connection). The final step is to be involved in the management or orchestration of the batteries. This one is going through multiple steps that networks can play. Leave it to other groups to say if they see networks as a competitor or partner in this space. If they are crowding out other parties or not but see a space for networks to maximise the value of these things.

Network representative

- Ausgrid did express a view that they do want competition to invest in these things where possible and coordination of these is important as is interoperability and how to align all these things. Maybe this is why the trial is important in the way that it's framed so that if you don't get a BAU outcome from this, you may see what we can learn from competition and what change is required to enable competition in this area rather than having it locked down by DNSPs. May allow an imperfect trial to learn the other side. Could consider letting such a trial run, or tweak the trial to allow some other opportunities there.
- On the NEO point, are you causing more inequity by shifting some of the wider costs to other parties? There is a question about who is bearing the risk and who is benefitting and need to make sure you don't leave other communities behind that are not benefitting from this product directly.

Network representative

- It is unlikely a 3rd party would be able to extract all the value that Ausgrid could extract due to different opportunities to value streams and the extent a 3rd party could or would want to deliver direct benefit streams to participants.

Network representative

- Noted the need to look at the customer dividend. Then need to ask what the right vehicle is to scale out to the NEM and value that was not capturable before. Is it generating capturable value that was not being generated before? What does that mean for broader customers, by network, state and the NEM?

Network representative

- Queried potential unintended consequences of the trial. Could this be a disincentive for those who are able to install rooftop solar and at scale, what would this look like?

Network representative

- If at scale what happens to the cross-subsidisation risk and inequity versus those who are participating? Can a scheme within a scheme be expanded to include those who want to invest locally and possibly receive a higher feed-in tariff?

Network representative

- Noted the allocation of costs and benefits may make sense on a trial basis but not necessarily if expanded to BAU operation or across all of the customer base as the costs are socialised.

Topic 4: Consumer protection and risks

Network representative

- Noted that this level of asset installation has not occurred previously and the need to have social licence to install the batteries at specific and identified sites within the trial areas. AER staff noted this concern, noting this may be outside the scope of the waiver sought expressly, but is an important consideration for the project more broadly.

Participant

- Noted that it can be difficult to prove that no consumer 'will be worse off in the trial area,' noting this may be addressed through the CPN dividend payment.

Network representative

- Interested in learnings around what does equity look like, who is given the biggest share? No comments on this but will take learnings from this.

Network representative

- Noted not only is the mechanism of the dividend payment interesting, but transparency of the mechanism and who is involved in this decision-making process.

Topic 5: Trial Conditions (if granted)

Network representative

- Raised the AER use to publish an annual report on ring-fencing concerns. In this trial, a document outlining the value the AER was perceiving and what is being seen would be valuable.

Network representative

- Suggested reporting associated with benefits, including how benefits are calculated, who is receiving the benefits and how they were identified. Could also track costs and emissions.
- Could also report on customer sentiment through the trial. Is the trial getting consumers more engaged with the network. Demonstrate if the trial is providing the benefits it is claiming, but with a customer focus.

Network representative

- Customer sentiment could be reported on a segmented level, such as residential with solar, versus without solar.

Network representative

- Noted a public forum with Ausgrid may be useful to understand learnings and findings during the trial, similar to the consultation workshops.

Open discussion

No further issues were raised by participants.

Conclusion

AER staff thanked participants and encouraged written submissions by 16 September. AER Board member, Justin Oliver, highlighted key areas discussed during the session and noted the need to orchestrate CER in the energy system and the purpose of these trials is to try and learn how these operate in a real-world scenario. He thanked everyone for their participation and encouraged written submissions.

Ausgrid CPN consultation: Workshop 2 – Retailers, aggregators and advocacy groups

Tuesday, 26 August 2025, 10-12pm

Introduction

The workshop commenced with AER Board member Kate Symons welcoming attendees for their participation and discussed the waiver requested by Ausgrid. She discussed the timing and the purpose of the trial as well as the purpose of consultation and the workshop discussion. She noted the potential benefits of the trial would be weighed against the impact on competition and consumers. These workshops provide the AER to engage directly with stakeholders and provide an opportunity for stakeholders to share their views, noting there is a range of views on this proposal.

Questions for Ausgrid

Ausgrid provided an overview of their proposal, including the need for change, how the proposal will solve these issues, how consumers will benefit and, why Ausgrid is proposing to lead this. Participants were then provided the opportunity to ask Ausgrid questions on the operation of the trial.

Retailer representative

- Queried if the batteries to be installed would pay a connection fee.
- Ausgrid responded that this would be the same cost, process and assessment as other batteries connecting to the grid.

Retailer representative

- Queried the value of \$37.6 million to be added to the standard control services to the RAB while this is claimed as a benefit. Queried why and asked Ausgrid to explain.
- Ausgrid responded that benefits would accrue to consumers both inside and outside the trial area and this was to avoid cross subsidisation. If all the batteries were added to the RAB, then those outside the trial area would subsidise the trial, conversely, if battery costs were charged by trial customers, there are broader benefits generated. Tried to work out the costs and benefits and make them proportionate.
- Retailer representative queried if the trial is successful, if this is recognised as a distribution service, is the trial added to the RAB?
- Ausgrid responded that a lot needs to happen before this point is reached. At end of trial, if it works and provides benefits to consumers, then it should continue, and if it becomes a distribution service is about how it is taken out of the sandbox and moved into the regulatory framework. If level of expected benefits is not achieved, issue is how to exit the trial and not leave a lasting cost to consumers inside or outside the trial area. Distribution service is one solution once the time limit for the sandbox is reached.
- Retailer representative queried how Ausgrid would roll out solar and battery assets and generate revenue through arbitrage, and how it could recover the cost of that asset via the RAB?

- Ausgrid responded that it needs to test if this works before we worry about that. How do you effectively keep the same funding mechanism so there is a proportion of the cost that goes to all customers and a proportion that goes to the CPN finances. How do you keep the trial working with the finances working in the same way out of a sandbox and into something more permanent.

Government representative

- Queried if this was required through the current system and would it encourage networks to monetise network support services or seek these services from the market. Is there more we could consider through Project Edith and make that work, before we explore DNSP ownership and in 5 years have we essentially stopped competition? If we go too far down this track, do we just stop competition?
- Ausgrid responded this touches on what sort of price signal you need. Batteries try to discharge in absolute extreme pricing events as that is how you make the most money. This project will try to get batteries to discharge into network spikes, for example where a DC EV charger is used during the day. A fairly large pricing signal or service would be required to make a commercial battery involved in that. Could be a learning around how to get a commercial battery to respond in the same way and what is needed in the middle. Project Edith is building its capability to better automate and get up to scale. Ausgrid can see this working in parallel and what signals need to be provided to get certain responses and, in a few years, these two trials could merge. This is how you end up in a world that enables full competition where anyone can offer these services and Ausgrid would move more to an orchestration and coordination role.
- Government representative queried if this could happen now just with a contracted retailer, such as done with RERT (Reliability and Emergency Reserve Trader) and other services?
- Ausgrid responded that they don't know what price signals are needed or the behaviours to deliver benefits for consumers. They are proposing this way as it is a faster and cheaper way to test the hypothesis.

Aggregator representative

- Queried if Ausgrid's dual role as both arbiter of connections and competitor in the DER market creates a conflict of interest and how do private assets face fair and open access to the market?
- Ausgrid responded that their assets would go through the same connection process, with the exception that Ausgrid would be operating the batteries to balance the network. This top-up, balancing layer is the role Ausgrid's batteries are going to play. Even in the trial areas, they are delivering about a quarter of the needed batteries. Nothing stopping commercial battery being installed right next to a trial one. Ausgrid won't be purely wholesale trading on its batteries like commercial ones would, so wouldn't see any difference in value from a commercial battery.
- Aggregator representative queried what processes have been developed to have the right level of transparency around connection decisions. How can they be confident on this, because the batteries do trade in the same value pools to a large extent and a battery next door would reduce the value of a commercial battery.
- Ausgrid stated that the AER would work with Ausgrid to ensure this is happening. The learnings are designed to help everybody. At the end of each year, a report would be

done on how the CPN has performed, where the finances are sitting, how much money has done to customers and AER would say if Ausgrid is doing the right thing or not.

- Aggregator representative noted that in the UK, DNSPs give significantly greater open access to network data and are subject to stronger application of ring-fencing rules. UK DNSPs are mostly procuring network services from the competitive market to deliver these at a lower cost, why isn't Ausgrid making this data more accessible to do the same?
- Ausgrid responded that they will provide this through the spatial energy plan and provide information on network constraints. Ausgrid noted that more data should be made public, however that is another conversation. In the trial, Ausgrid will use AI to build these plans up from a NMI level to understand infrastructure location like EVs etc and also provides this information to retailers and aggregators. This is planned to be available around the same time as the first round of battery installation commences. As soon as this is done, can publish this initial plan through the AER. Ausgrid won't be installing all the battery capacity in round 1. The batteries are quite small, of around 400kWh so a lot of smaller batteries, to better balance the network and help find spots for these batteries.

Aggregator representative

- Queried the aggregate capacity to be installed.
- Ausgrid responded about 70MW of solar, with 50MW in Botany-Mascot and 20MW in Charmhaven and 65MWh battery capacity in each area, 130MWh in total.
- Aggregator representative queried if the trial would attempt to address the market level visibility challenges in the CER/DER roadmap, such as voluntary scheduled resources for example.
- Ausgrid responded probably no, their batteries are for network support, anything behind the meter is something else to be solved by retailer/aggregator batteries. We do not intend to operate in that market.
- Aggregator representative queried to the extent that Ausgrid is continuing to distort the dispatch process and the deadweight loss there, it won't be seeking to claim any benefits proving the efficiency of the dispatch process, and are just talking about wealth transfers.
- Ausgrid confirmed will need to double check but that is correct.

Consultant

- Queried how connection costs and processes would be made more transparent for the competitive market and how Ausgrid would sort this process out before this trial, particularly on the connection cost. On that, will there be a transfer cost and will the tariffs applied to this trial also be made public for the competitive market in your annual tariff statements and other publications?
- Ausgrid responded that in relation to the costs, it will run open books so when it publishes the costs and benefits of the CPN, in there will be any connection costs to be seen by everybody. In terms of who is in the queue and who is being processed, maybe something could be done to provide this information. On the tariff question, possibly into the future, however at the moment, the community battery will be doing the local generation and consumption and using that local network. For the trial, only

those batteries involved in this would see the reduced tariff. There is a tariff for general community batteries, the question is if it is clear that the battery will only use the local network and not the full network?

- Consultant queried will the tariffs that Ausgrid applies to its community batteries be made available to other network batteries that communities and other groups put forward?
- Ausgrid responded that the short answer is yes; there is a battery tariff that Ausgrid has published that anyone can have access to with a commercial battery if meets the criteria.
- Consultant queried if this is the same tariff Ausgrid will use for this trial or will this trial use a specific tariff for Ausgrid?
- Ausgrid confirmed the trial is using its own simplified tariff system, but that doesn't benefit Ausgrid that actually takes money away from Ausgrid and gives it back to customers.
- Consultant queried why this wouldn't be made available as one of the main issues with connecting batteries with networks is tariff arrangements. How are some of these current issues going to be addressed? Ausgrid is the only party with full visibility, a regulated market structure. These services could be delivered through the competitive market and some of the current barriers are created by the networks. How can a special tariff be given to Ausgrid batteries that is not also available to the market?
- Ausgrid responded that these are not 'Ausgrid batteries', Ausgrid batteries under the CPN get the same commercial tariff that is available to all commercial entities. Batteries under the 'community batteries' they all have the same tariff system that is available to everybody. The CPN is the network orchestrating batteries for a very unique model, and it is a test. The batteries under this will get a slightly different tariff, a few cents different, but that is to do with the unique trial. If the trial is successful and is expanded, likely batteries participating in this trial would have the same existing tariffs. Not an Ausgrid versus everyone else but a situation of what the batteries are doing and what proportion of the network they are using.

Aggregator representative

- Noted the size of the trial is quite large, with thousands of connection points and queried why this was not done at a smaller level, not exposing Ausgrid customers to the expense for installing all these batteries.
- Ausgrid responded that this was due to diversification and having the available commercial space and apartments in the same area so that is Botany/Mascot. Ausgrid noted there were questions on how applicable and scalable this was to the broader network, so picked an area that was very different to this that is Charmhaven to test the trial in different environments. Each zone is sized to fit a zone substation.
- Aggregator representative queried if this could be done at a smaller level?
- Ausgrid responded that there wouldn't be the diversity in customers, such as residential and C&I both using a distribution substation. This is the next level up, a zone substation.

Retailer representative

- Queried if it was correct that under the trial customers are funding the solar but Ausgrid is taking the emissions benefit and putting it into the RAB and offsetting the trial cost?
- Ausgrid responded that this was correct but added that the CPN trial would enable that market, particularly on C&I roofs that adds incremental solar to the local footprint and it is that incremental solar that the CPN can claim. There is a base increase in solar that is linked to the ISP (Integrated System Plan) assumptions and we are not claiming these base benefits.

Ausgrid then left the meeting.

Topic 1: Trial learnings

Independent consultant

- Queried why a waiver was needed or the potential benefits compared to the current market arrangements. Why can't these benefits be provided by a competitively owned battery and a network support agreement. This could achieve all the same outcomes and with more benefits and in a fairer and more efficient way. This seems to be about wealth transfers between trial customers and other Ausgrid customers.
- Suggested the AER seek a better explanation, understand why they need a waiver to put this into the RAB, but don't understand why this trial is better than current arrangements. This needs to be explained against a counterfactual. Sandboxing trial waivers are meant to test new things, Ausgrid could achieve their stated benefits through current rules.

Retailer representative

- Agree with previous speaker. This is a trial where Ausgrid introduces a premium feed-in tariff funded by a carbon tax to liberate the most expensive solar in their network, while also counting those carbon benefits and on 1 July they introduced a solar tax to reduce the amount of solar invested in their network. From a customer side, need to look hard at the value a customer is getting. Summarised Ausgrid statements as 'we'll put this on our RAB and then in the future we won't put things on our RAB', and noted there is a capex bias in the current system and the plan to learn is a plan to do that.
- In terms of what Ausgrid gets from this trial specifically, and noting the amount of solar in the system, there are already a number of ARENA-funded community batteries in pretty much every distribution system in Australia. There is already an SRES [Small-scale Renewable Energy Scheme] and a RET [Renewable Energy Target] to fund solar going in. Already cheaper home batteries through the commonwealth in the order of 1,000 batteries a day, there is already a PDRS [Peak Demand Reduction Scheme] in NSW that was already funding batteries and aggregation.
- It is going to be difficult to learn anything from this trial except for the potential Distribution System Operator parts which could enable Ausgrid to inform the market on how they buy non-network solutions or inform how to structure the regulatory system. These would possibly be it for learnings. In terms of barriers to rooftop solar on C&I, how to get more solar or batteries into distribution areas, all of this is already happening at a huge pace. Really hard to see how this will deliver anything. Are there any actual cash benefits for that \$70 million on the RAB. Of that \$40 million is for

avoided carbon and we know Australian's don't want to pay a carbon tax. Are the other bits of DSO and batteries the cash benefits back to customers? Or is it hypothetically in the future there will be avoided augmentation?

Energy advocate

- There were few learnings beyond using privileged assets at preselected sites to own assets to get an advantage but otherwise there are no additional learnings that have not already been learnt and there are other mechanisms to deliver on the same thing.

Consultant

- Queried what is the AER hoping to learn from this and understand the AER's perspective, noting the trial does not provide new learnings or learnings that could not be addressed through the competitive market.
- AER staff noted these comments and that this consultation is seeking stakeholder views to allow the AER to form a view as to the overall merits of the waiver application. It is too early to comment on AER views on this.

Retailer representative

- Supported earlier comment that this could be done in market now through a network support agreement. Need to ask why Ausgrid is doing this and why Ausgrid is making this a distributed service. Not to say this is where they are heading, but potentially if this is rolled into the RAB, they could potentially sell the rights to third parties to arbitrage and could be generating these dual income streams. Question is why are they doing it when the market already can. Not sure there are network learnings in this trial and there is another angle.

Consultant

- Agreed with potential learnings from what Ausgrid is trying to achieve – emissions reduction, community power, resolving equity issues for renters. Question is, is a DNSP the right group to address these objectives? Considered most people here would say probably not.
- The proposal has a strong equity bent and not sure this is appropriate for a DNSP to address equity issues, acknowledging there are a number of NSW government initiatives aimed at improving equity for renters and note federal home batteries will apply subsidies to people in apartments. Trial objectives as they stand, most people would agree with them, but this is not what we should be testing here.
- To earlier point, Ausgrid have not sufficiently shown that the alternatives are off the table. There are two lines saying they considered an Opex solution but ruled it out. Similarly on the spatial energy plan, people would agree that this is a good idea and feedback on the current DAPR [Distribution Annual Planning Report] rule change is that CER proponents want more information about the network, why can't they do that now? Apply similar tariffs across the board and see how the market responds. Not enough evidence that Ausgrid considered and costed alternatives before proposing an expensive and complicated trial to 36,000 people.

Retailer representative

- On the spatial energy plan, as noted by previous participants, it is of interest to a lot of people and if networks provided us access to this information and provided the same

costs and benefits as they have with these assets, then the market could step in and fill this space. In their proposal, this information is to be provided on an annual basis, if this information was provided more frequently you would see the response from the market they are seeking to achieve through this trial.

Retailer advocate

- Agreed with previous participant, if those locational signals were available now that would have already driven a potential alternative outcome.

Aggregator representative

- Also agreed with previous participants and noted the importance of looking at other industries and sectors, or even other segments of the energy sector, and the issue of open access to data. The amazing outcomes in financial services due to open banking, the CDR regime for energy data has been important to the sector as a whole and there is an obvious incentive for Ausgrid to argue that they are the best party to deliver this as they hold the proprietary data. The market has proven in other areas how open access to data improves customer outcomes.

Topic 2: Consumer protections and risks

Consultant

- Doesn't see the documents discuss the risk that consumers could be worse off as a result of the trial. One of the key challenges and why this may be inefficient is Ausgrid is saying it will encourage customers in the trial area to overinvest in their solar panels than they otherwise would have by paying them a premium feed-in tariff. That is probably inefficient, as Ausgrid and others could charge these batteries from the wholesale market for free and instead they will be paying customers a premium to do this.
- Big consumer protection risk is for consumers. Primary benefit for installing solar is self-consumption as you don't make much from export. In a world where there are declining feed in tariffs and with a 5 year trial, there is a risk that customers are misled and end up worse off by paying to oversize their inverter and solar panels for an increased feed in tariff for 5 years that after the trial is likely to fall to zero. So, consumers would pay thousands of dollars for this illusory feed in tariff. You could make customers no worse off by paying them an even higher trial feed in tariff, though that would be cross subsidised by other Ausgrid consumers and even less efficient than buying the energy for zero or negative.
- Need certainty that customers will understand those risks and understand what could be involved. See real risks around misleading advertising for Ausgrid and retailers if consumers oversize their solar for a slightly higher feed in tariff that is only guaranteed for the trial period. This would need to be very carefully communicated to customers and this is not addressed in the application. The idea Ausgrid has, that the batteries will be charging from the local area ignores physics. These batteries are charging from the wholesale market, not just the local area. The higher the feed in tariff the less efficient this trial is. Goes back to why not just do it through the current arrangements.

Retailer representative:

- Noted that it is positive that those in the trial area are not cash worse-off, and the dividend payment is good and important. Difficult to see how the dividend would come through. A world where the worst they can get is zero is good.
- Ausgrid talks about removing the solar tax in the trial areas but if we are really going to say emission reduction is worth about \$165 a tonne on average as per the guideline, then that whole concept of a solar tax needs to be looked at. All the other customers are being discriminated against.
- As others have raised, customers need to get connections and protections need to be built in around Ausgrid self-dealing and that there is no discrimination against other customers who are also trying to get their assets connected.

Retailer representative:

- Ausgrid application is mainly aimed at large sites that are situated near small sites that are high density and outsource customer protections where a small customer would want to participate to a third party and not themselves; this is a problem in itself.
- It also assumes that customers participating will get their own advice. For a large customer that is probably appropriate but where you have cross subsidisation going across each, how is the large customer sharing benefits with a small customer. It's not clear what they are proposing from the paper.
- Therefore, the sites they have selected don't address the equity issue the way Ausgrid has designed the trial. You wouldn't benefit anybody except for Ausgrid or learn anything that wouldn't have already been learnt. Don't think Ausgrid will actively address these issues.

Consultant

- Ausgrid's application only references the waiver of rule 6.6.5, doesn't is also need a ring-fencing waiver? Does this AER process deal with that or would it need a separate ring-fencing waiver subject to consultation.
- AER staff clarified that the Issues Paper does note Ausgrid will require a ring-fencing waiver. This consultation should be viewed holistically, including any potential ring-fencing waiver and we encourage participants to make comments on the whole project.

Aggregator representative

- Potentially reframing this question would be helpful. When installing distributed assets with a multiyear life, the benchmark should be the alternative. It is very clear that a solution driven by the competitive market would results in more substantial savings for customers.
- Noted Ausgrid's focus on equity is important and great but that equity is two things: access to capital and an appropriate site. It's only been quite recently that there have been strong market solutions, particularly for small customers that provide 3rd party owned solutions. We are seeing established models successful in the US, where residential solar has been 3rd party owned for decades and that is a fairly new option for consumers in Australia. See companies deliver substantially more savings than the \$150-\$200 dividend that Ausgrid is talking about.

- Second part is the appropriateness of a site and again, the technology shift makes this different. Rooftop PV has limitations, particularly for apartment dwellers and renters. Batteries management solutions don't have those obstacles. In some respects this is yesterday's problem, and third party-owned solutions are available for apartments and renters and will deliver this at a lower cost. Benchmark shouldn't be if customers will not be net negative today it's how much more expensive or less benefit will they get compared with the competitive market.

Topic 3: Competition

Retailer representative

- A number of comments have gone to this. This may be the biggest risk to competition that we are seeing. It is quite extreme. The AER have this sandboxing mechanism, and this could be a great example of it operating but would caution against promoting it for this reason alone. We have pricing reform underway, much larger market reviews underway, CER data exchange, DSO models being considered. All of these potential avenues could be involved in this same space to incentivise the right network response that is sought. Urged caution to wait to see how some of these play out before allowing this to proceed.
- That concern about the competitive market - it's going to be hard for Ausgrid not to get customers saying they like this when they are being paid money, and they have no idea what is happening. The risk is we don't wait to see what can be achieved by different mechanisms that are being developed. This trial could proceed and develop an obvious solution where batteries are installed, and consumers are paid, but it is not a fair comparison about what could be achieved by the competitive market.
- AER staff queried what this alternative might look like?
- Retailer representative noted there is no failing in solar being installed, battery uptake has increased significantly since government grants. It is the ability for us to know where there is capacity and where these assets should be installed to benefit the network. This doesn't exist. If this was provided, we would get to the increased utilisation and improvements the networks were getting to without the increase to the network RAB. There is one thing in providing the information. 1 – a level playing field value and we could achieve the same thing through the competitive market. 2 – are there other streams of work that are progressing that could get into this space? Like the AEMC pricing review, they may decide something that drives networks designing tariffs to incentivise the response they want, developing them for retailers. All these could get in front of this trial that is being considered. Doesn't think there is the justification right now to do it. If there was a failing, if there wasn't this huge uptake of solar and this uptake of batteries, maybe this might justify it. Thinks this is just expanding the networks RAB and the returns they get.

Retailer representative

- There are a number of things already being done in this space by the competitive industry with DNSPs and retailers installing batteries. There is nothing ground-breaking in this proposal. Echoing that this can be achieved through Ausgrid issuing connection agreements and price signals to market participants to support the grid. Project Edith is already trialling storage response to dynamic network signals.

- There is a question of should the AER be making decisions that impact market structure alone. The AEMC review and the NEM review on market structure and future market design are very important here. If the AER were to allow the trial to proceed, it would ultimately be deciding the direction of market structure but without that broader context. Making it in a very narrow focus around just batteries and CER orchestration for Ausgrid, but there are broader implications for how the market works in future. Need to keep that in mind when making an assessment here.

Retailer representative

- Agree completely with the previous speaker.
- The biggest competition here is between Ausgrid as platform owner and their customer. So, there will be a whole range of things for anyone who wants to do it but primarily this is about distributed energy. The vast amount of distributed energy is customer energy and at all scales. AER needs to make sure that Ausgrid customers are not discriminated against by the platform that they rely upon for supply. Essentially, the proposal is to discriminate against Ausgrid customers who are already doing this, but to limit the amount of distortion that goes through there.
- The other risk is to the whole Distribution System Operator concept, if you take the distribution system as being a platform, they are the owner and operator. If they become the system operator and are competing on the system they are operating, it kind of makes this system impossible. At some stage need to abstract out an independent distribution system operator or accept there will never be any. There are parallels across all networks here. Feature of the ACCC Regulatory conference this year about how difficult it is for regulators to manage competition on a platform, mostly in IT, where the platform owner has so many tools to let them discriminate against all other competitors on their platform, like Apple and Google. We solved this issue in physical infrastructure previously though the open access regime and prohibiting the owner from competing. By allowing them to compete on the platform you lock in anti-competitive behaviour.
- We would probably say you shouldn't approve this, but if you do - then there will be a whole range of protections needed to ensure competitive neutrality for, and protect, Ausgrid customers' ability to invest in CER without being discriminated against further from this. We would all probably like to reduce information asymmetry and have incentives to encourage the network operator to make available where the congestion is, what services they want. Note Ausgrid said why this was difficult, but in this case it is very difficult to say as there are no constraints in Ausgrid's area; it is a vastly underutilised network due to previous overinvestments. So possibly there are better opportunities in other areas that are more constrained. Could be good to do it here and make the information available in a safe world before the congestion is there so there is no risk to network operation.
- Also need to address that capex bias in the system. I know there are lots of people who work in monopoly regulation on if there is a way to address this fundamental imbalance that means it is hard for the network operator to get hard assets then it is for them to get services from the market.

Aggregator representative

- Really agree with pretty much everything that was said. To loop back to the question, it is impossible to have a perfect control experiment from the competitive market because of the privileged position Ausgrid has as the platform provider. The

strongest incentive for Ausgrid it to not make their privileged strengths, like network information, more available is because it is more lucrative to increase the RAB. Need to be very careful about which direction we shape our whole of system design and be very aware of the incentives that drive towards those outcomes.

Consultant

- On the question of mitigation, obviously the ring-fencing guidelines require this to be in a separate entity. If this was done through PLUS ES this would be much easier. If you did grant, think about mechanisms that make sure the rest of the ring-fencing requirements around discrimination are preserved. Other sectors, such as telecommunications, have independent oversight committees. Some of the things Ausgrid said around charging themselves different tariffs than those available to other community batteries were quite concerning. Suggests thinking about independent oversight of connection process and tariffs if being done in the same entity as a trial. Need clear assurances there is no discrimination.

Energy advocate

- Note the discussion of pole-mounted EV kerbside infrastructure and the lack of transparency on what they are charging themselves.
- The incentive regime tips distributors towards these kinds of approaches, so they try to get hard assets in there. Is the AER interested in views on that as part of that? I would think the whole thing needs review but it doesn't form part of the application.
- AER staff clarified they will consider broader commentary on these issues.

Consultant

- Queried if oversizing of solar on roof space already happening naturally, and if so, are there example where this has happened?
- Retailer representative replied this is easy to achieve if you are the Financially Responsible Market Participant of both parties and noting the flexible trading arrangement regime this will become even easier. This is something that can be delivered though the competitive market and a better solution than one provided by a monopoly.
- AER staff welcomed comments on if this is happening in the market now.

Retailer representative

- Queried the rules around this particular sandbox application. There is a reduced network tariff, there are issues around having emissions benefit adjustments rolled into the RAB. What rules apply?
- AER staff clarified the sandbox function allows the AER the waiver compliance from certain rules and laws. No other provisions except those waived are altered in a sandboxing trial.

Topic 4: Trial conditions (if granted)

Retailer representative

- Could massively limit the scope and area Ausgrid apply this to. I know it ties into a zone substation but no reason why you couldn't do this with 1 industrial business

and a collection of households. Not a clear case for the proposed scale. If you were going to proceed with this, could get result without involving 30,000+ customers. This would be a way to minimise impact of trial.

Retailer representative

- Greater learnings if we have apples for apples comparison. As discussed previously, Ausgrid have a number of proprietary privileges. Potentially there could be a requirement that within the trial areas, months before they install their batteries, they make the data available to the competitive market. If could control and ensure Ausgrid is operating on a fair playing field, then fairly sure that the outcome of the trial is that the competitive market could deliver it at lower cost and achieve better customer outcomes.

AER Board Member, Kate Symons

- Queried practicalities around retailers sharing the benefits with consumers and potential consumer complaints or confusion around communicating this payment. What does this mean from a retail perspective?
- Retailer representative noted the way they present this information is limited by the billing guidelines and it is not always clear to a customer. If they are asked to reflect something from a DNSP on a customer's bill they would likely run into this sort of problem.
- AER staff noted potential to apply conditions around this.

Consultant

- Seem that it would be difficult to identify trial customers and pass benefits on to those customers. Also seems inconsistent with network tariff pricing. Network augmentations are not paid for by those local customers. If there are savings from avoiding costs, then those should be shared with all customers. Paying only to customers in the trial area appears to be designed to get a large dividend number for a press release. I expect they do not want to share these savings with broader Ausgrid consumers as it will be \$0.50 as opposed to \$200 but it is inconsistent with how we share costs and benefits and distribution pricing.

Retailer representative

- Ausgrid, as outlined earlier, are intending to use a different tariff than they would charge to anyone else. If you are not charging yourself what you are charging to the competitive market, but you are operating in the competitive market, that is the reason why you shouldn't be participating to being with. Goes to the ring-fencing issue from earlier.
- Independent consultant queried how difficult identifying trial customers would be for retailers?
- Retailer representative said it wouldn't be easy. If specific tariffs apply to specific consumers in specific sites, theoretically it is possible. Not appropriate, but possible.

Open discussion

Did not cover due to time limitations.

Conclusion

AER Board member, Kate Symons thanked participants for their time, participation and feedback and welcomed views on the practicality of some of these issues from a retailer perspective. She highlighted key areas of discussion, including comments around data and transparency, the privileged position of a platform operator and the broader competition concerns. She encouraged participants to reach out to the team and encouraged written submissions as well by 16 September.

Ausgrid CPN consultation: Workshop 3 – Government, consumer advocates and consumers

Wednesday, 27 August 2025, 10-12pm

Introduction

The workshop commenced with AER Chair Clare Savage welcoming the wide range of attendees in the workshop and discussed the intention of the consultation and the sandbox, which is to test new ideas. Clare discussed the waiver requested by Ausgrid, including the ring-fencing component, and the purpose of the trial. Clare noted the potential benefits of the trial, including unlocking CER/DER, sharing the benefits of this and weighing this against the potential impact on competition. These workshops provide an opportunity to explore, test and challenge details of the proposal.

Questions for Ausgrid

Ausgrid provided an overview of their proposal, including the need for change, how the proposal will solve these issues, how consumers will benefit and, why Ausgrid is proposing to lead this trial. Participants were then provided the opportunity to ask Ausgrid questions on the operation of the trial.

Consumer advocate

- Queried that if the emission reduction benefits are modelled over 16 years and these are the main justification for the approximately \$70 million going into the RAB for all Ausgrid customers to pay, then why are these benefits over 16 years when the trial is only about 3.5 years? What if the trial is successful and it is concluded? Ausgrid notes the batteries will be sold but that won't cover the cost? What's the risk of all Ausgrid customers having to pay the remaining RAB?
- Ausgrid responded that on the emissions benefits being calculated over 16 years, this is conservative for a solar PV system. Once you put the solar in, the answer is that solar is going to stay there. Even if the trial did finish up the solar would still remain for the rest of its usable lifetime so the emissions benefits are therefore calculated over the life of the system and that's the process that the AER formulation for working out the benefits of decarbonisation. The other part there is \$73 million that goes onto the RAB, there's a proportion of the funding that is from all customers and a proportion that comes from the community power network. What Ausgrid have tried to do is avoid cross-subsidisation between consumer groups but also recognising that some of the benefits will go to all customers. So, \$73 million does go to all customers which is emissions benefits and the network flattening and cost reductions. At the end of the 5 years, the remaining value of that \$73 million sitting on the RAB is about \$61 million and it would be sold off. On the customer risk of a gap between what the batteries are sold for and what is on Ausgrid's books, the short answer is that this is Ausgrid's problem. It has committed to the AER that if Ausgrid cannot recover a sufficient value of the batteries, the AER can remove that from the RAB.

Consumer advocate

- Is it not possible to reduce the scale of the trial to a few feeders in close proximity that would allow for more targeted engagement with say 200 customers rather than trying to explore how 36,000 customers feel about the project?
- Ausgrid responded that anything is possible but it's about what do we feel is the optimal piece of the network. For anyone not aware of the network you have feeders that may cover a street or two, and they are connected to a part of the network, 10 or 15 of these parts go up to a zone substation, this looks like a tree in reverse and this piece of the network is the branches going out to the leaves. On a typical feeder on a typical street, particular in areas like Botany and Mascot, you may only have 5 C&I customers on one feeder and then 3 feeders across have some residential feeders, but it may not have any C&I customers on it that would be the solar producers. Ausgrid looked at the feeders and found it wouldn't get the load and requirements, including surplus solar ability. Next level where you can share is to go up to the zone substation and that means you have the ability to count effectively a suburb as one electrical unit and across that suburb you can share everything. Ausgrid picked Botany and Mascot, which is technically two zone substations, but need to blend these as the C&I properties tend to be in one suburb and the neighbouring houses tend to be in another but have blended these to get the diversification. Botany/Mascot has lots of big C&I roofs and 68% of people live in an apartment and 50% are renters so it is the perfect area to test something like this. Also wanted to look at how scalable this solution is to the broader network. Don't want to get to the end of this and find it worked beautifully well in Botany/Mascot but have no answer for how it will work in the broader market. Picked Charmhaven which is a largely residential area with a bit of light commercial industry around it so very typical outer Sydney metro area. So that's about another 15,000 customers that sit in that suburb, so that's how Ausgrid got to the areas we picked. The short answer is the diversification. Using half a zone substation, you are going to use the same amount of network to do that so there is no benefit in not doing the entirety of the feeder, you have already engaged all that electrical infrastructure so you may as well get the best benefit as you can from it.

Consumer

- Queried if the Ausgrid system was smart enough to run islanded?
- Ausgrid responded that it potentially could, but this is not the number one priority for the trial in the selected areas. Botany/Mascot has multiple connections from multiple substations, it would be a fairly dramatic event to knock it off the grid but it is possible. You would need to make sure that you are 100% certain that you have islanded the zone substation from the grid then yes, you could operate in an islanded fashion. It will have 2-4 hours' worth of power sitting in the network-controlled batteries plus whatever is sitting in any other battery owned by an individual so it has the ability to cover off that. You see that being a potential benefit that this solution could provide as it means at that level of the network, it's really rare to have an outage that lasts longer than 30 minutes so if you have the level of battery capacity you could use that to keep the community running and you could be back online before the batteries exhaust themselves.

Consumer advocate

- Trying to get clarity around some of the long-term views and intentions with this trial. Is the intention that CPN become classified as a distribution service?
- Ausgrid responded that this is one option. It is an important question and lots of people have asked but let's not get too far ahead of ourselves – Ausgrid has up to 6 years and hope it can be less, but want to test to see if this will work and this is the number one thing. Ausgrid representative sure Ausgrid won't have it all perfect, there will be some parts that are a roaring success and some parts that may not work as well as it wants it to and will pick up some learnings from some other sandbox trials that work. The final solution may be a blend of 5 or 6 things that are tested in parallel over time. What is Ausgrid aiming for? We have put this forward with our hands on our hearts, honest and confident that we think this is actually the best way to operate a distribution network in the future and so if this holds true, then you would say that yes, some form that looks a bit like a CPN is how you would set up the entirety of the distribution network in the future. What Ausgrid is doing in this trial that is the long-lasting piece is the orchestration part. The ownership of the batteries is not critical, and the ownership is only for simplicity and speed and not spending a whole bunch of taxpayer money to make system integration before we are confident that this is the best system. At the end of any successful trial, Ausgrid representative is sure that it will be a condition that Ausgrid would do a review to see what could have been done differently, what signals could have been sent to a commercial battery to get the same behaviour, what's the best answer for communities before you roll it out.
- Consumer advocate followed up on the orchestration piece, with this trial is your view that it is not possible to achieve the orchestration outcomes that Ausgrid is seeking by just publishing the constraint data and offering the tariff to the market and letting the market respond?
- Ausgrid replied that they are 100% confident that it cannot be done right now, and the reason can say that is because they have Project Edith and under this, they are providing a dynamic pricing signal to partner retailers and seeing if we can get the behaviour out of these. Currently finding that they will send a signal out to retail partners, and it is very common to get three different actions to the individual batteries they control in return. Project Edith will keep maturing and automating, it doesn't quite have the system able to do dynamic pricing over hundreds of different batteries, some bits of it are still a manual intervention process. So that continues to work and continues to integrate with retailers. In the meantime Ausgrid will run the CPN trial, and start to understand what benefits it can get doing this orchestration and what battery behaviours we need to get this to happen and then maybe in 3 years you have learnt these things and start to be able to say what pricing signals or envelopes or mechanism and that would be something Ausgrid could put a value on and offer and put into a more mature version of Project Edith and then you start to have the answer in terms of innovation. At the moment we don't have the integration of systems properly and you need to spend a lot of money and time to get the communications working and to make it open to all retailers. All retailers would need to integrate to what Ausgrid builds. Secondly, Ausgrid doesn't have this 1-to-1 that it needs to put this price out to achieve the desired battery outcome.

Consumer advocate

- Queried about unlocking C&I rooftop, understand a higher feed-in tariff will be offered, will unlock the capital and if Ausgrid has done any scoping studies to know how many customers are interested and can mobilise quickly. Also has Ausgrid done

any thinking around smaller businesses in the area and if they might need different supports or are they even in scope?

- Ausgrid responded that for larger customers, if you look at who owns property, one business owns a large proportion of properties and Ausgrid have already started conversation with them. They are keen to be involved. Bayside council have a depot in the area and they are keen to be involved, there is also an Ausgrid depot and Ausgrid is looking at installing solar. Have also been talking to a commercial installer who described this trial as a 'game changer' for making this commercially viable for a large roof. Smaller businesses, Ausgrid wants to keep the market simple and not make lots of power agreements with every single 32,000 customers. Ausgrid wants that to stay largely through retailers, so for residents and small businesses, their retailers would aggregate their customers and do this on their behalf and potentially pass this higher feed in tariff through to their customers.

Consumer advocate

- On the issue of social licence, the demographics of Botany/Mascot are large CALD [culturally and linguistically diverse] communities, commercial property owners, businesses and residential. How does Ausgrid plan to achieve a buy-in to your innovation for CALD customers?
- Ausgrid responded that the short answer is everything still happens through the retailer, so if you are a typical customer that has a passing understanding of electricity works and just want to be able to turn on your lights when you want to, you don't have to sign up to anything. If you have solar on your roof, you might get more for your solar so there's a win. At the end of each year, hopefully you get a rebate off your electricity bill, and it says 'you have \$150 off your bill because you happen to live in this area' and that is literally the amount of engagement you need. There is no downside, Ausgrid is underwriting this downside, no chance of a negative number so only upside. People who don't have a desire to engage don't need to understand more. A lot of what we are doing is orchestration that Ausgrid, as an educated, experienced operator inside the energy sector, are integrating with retailers who are also the educated experts in the sector. Ausgrid is making all of that happen behind the scenes. The only ones who would see a direct interface would be large customers with whom Ausgrid will do direct deals, and they would have an expert in the field working for them to do this.

Ausgrid then left the meeting.

Topic 1: Trial learnings

Government representative

- Most important outcome we find through this trial is the level of network productivity and we see this as a positive outcome. So, the idea that we can increase network utilisation by 40% is a really critical piece of information. Secondly, if the trial could completely remove the limitations to solar exports and enable consumers to export as much solar as they can fit on their roof, it is quite an important outcome. Thirdly, the very key learning is the extent to which the distribution network will be offsetting the future expansion to future transmission and increasing network productivity and driving down total system costs.

Independent consultant

- Two questions, ARENA are doing a similar trial in orchestration and VPPs undertaken in WA that's called Project Jupiter. To what extent does this trial overlap with or is it separate to that Project Jupiter trial? Question two is it seems like there is no need for a regulatory investment test for distribution. Is the proposal to waive the requirements from investment test?
- AER staff noted interest in Project Jupiter and if participants had expertise on learning from this, welcome thoughts on this through submissions. On the second point, AER staff noted they have not received a waiver request in relation to the regulatory investment test for distribution. This point will be taken on notice and explored further by the team.

Consumer advocate

- A couple of comments and a question. The comment Ausgrid made about network utilisation increasing by 40% - I have not seen that before, so will be asking for modelling about how this was calculated. Don't think reduction in transmission will eventuate. Not sure how Ausgrid has calculated this and their reasoning, as it is already committed under the ISP and NSW roadmap. Potentially increasing stranded asset risk of projects built under the ISP and NSW roadmap.
- On question of learnings, no doubt that this is a good idea for improving orchestration, however there's a question around what is Ausgrid going to do and what benefits is it going to show if retailers or other market participants were doing it? Encourage AER to test with Ausgrid why the benefits of this trial are going to be any better and worth the investment and the risks above, what could be done in any case where retailers were given network information and the local use of system charge?

Government representative

- Some of the most valuable learnings are actually in the orchestration space in terms of what signals are actually needed to get the behaviour needed. In Project Edith, as mentioned earlier, they are sending signals and getting different behaviours. This is trying different types of signals to get the desired behaviour. What signals may and may not work are the most valuable learnings. Also, in terms of how to operate a DSO in any case.

Consumer advocate

- Reflection for the AER - if Ausgrid's proposal is to classify the CPN as a distribution service, would be curious to see what those learnings are and what the implications for ring-fencing guidelines are, and what are the AER's views on if the CPN being classified as a distribution service is consistent with existing ring-fencing regulations.

Consumer advocate

- The most useful learning to come out of this trial could be an understanding on how to best engage the community and to obtain social licence for these activities. Really disappointed at this stage that all the discussions and all the documents haven't talked about consumer engagement at all. Given that engagement is such a big feature of the AER's interaction with networks and the requirements to engage with

customers, there is a big gap in the process to date. Would like to see a way to fill that gap.

- AER staff noted that evidence of stakeholder engagement (including with customer representatives and related groups) was provided to the AER, and confirm staff will seek clarity from Ausgrid as to whether it might release de-identified summaries of this engagement publicly.

Local government representative

- Interested in the more granular, spatial energy planning that will happen. If this information could be used with local government plans around how to future-proof the city.
- Concerns about energy equity and how to get cheap, clean energy for renters. This is part of the matrix of solutions, particularly for existing apartments that are difficult to retrofit. Really interested in how this trial could make C&I rooftops activated and the solar potential across Australia. Interested in energy security for regional communities that are only served by one long feeder line. Have tested these concepts out to C&I businesses in these areas and they interested in this concept. There is also international interest in the high rooftop uptake in Australia and how this could apply to other jurisdictions that do not have many free-standing homes and how C&I businesses could share their power with apartments.
- These trials could play a role in Australia being able to share learnings and be a global solar citizen.

Topic 2: Consumer protection and risks

Consumer advocate

- Note prior consumer engagement by Ausgrid but also interested to have more clarity on what engagement they have plan to do during the trial. Making sure information is really clearly communicated with communities. The point around social licence, even though in theory consumers won't necessarily know what's happening, there is still a risk of misinformation or a sense of trepidation. Not sure if there will be much disruption in the area given installation of batteries and solar and the like. From their perspective, want to just make sure there's good clarity on the types of information Ausgrid will share and whether there's enough budget for Ausgrid to do proactive engagement through the trial period.

Consumer advocate

- A lot of discussion about consumer protection and risks within the trial area, however all Ausgrid customers will be funding this trial. It seems the benefits are marginal to customers outside the trial area and as a result there could be a risk that we have significant cross-subsidisation from customers outside the trial area funding benefits within the trial area.

Government representative

- Not enough community engagement. This engagement is scheduled on a Wednesday morning when people are working. It isn't an ideal time to get people along to any sort of workshop. Workshops or information sessions need to be in person like at train stations and actually making the effort to engage with people.

Don't know what Ausgrid's engagement plans are going forward. Ausgrid need to up their game and maybe work with people who have expertise in this sort of engagement. Also need work to explain this to a CALD audience. Not helpful to just have something on your energy bill. We need to educate people and bring them along with us.

- Ausgrid did mention that in terms of battery orchestration that there would still be room for home and commercial batteries and this trial would not have any impacts financially on these batteries. Would like to know how they are going to prove this? Haven't seen any detail on this.
- On the other side, in terms of network utilisation – having a 40% reduction in network costs would be highly attractive to a number of consumers who have already invested their own money in solar and batteries. Would like to see some quantification on this from the trial data.

Consumer advocate

- In relation to the consumer dividend, it is important to think about how this will interact with embedded networks. A lot of renters probably in Botany/Mascot are in apartments that have embedded networks so ensuring the community dividends actually get to the renters and not absorbed at the parent meter. Same would apply where the tenant doesn't get the bill from the retailer and instead the landlord is charged. So, the landlord is required to pass this payment to the landlord.

Consumer advocate

- Pick up on early comment regarding CALD communities. The level of education and understanding in this space is very limited. In terms of Q&A sessions they would need to be in-language and at times when the communities are available. There is also a component that we need to consider in terms of complaints and what can be done to ensure complaints are undertaken respectfully and are accessible for those communities as well.

Consumer advocate

- UNSW (University of New South Wales) and RACE for 2030 will do the analysis for what is an equitable sharing of the \$22 million. Will the AER be making the decision on this application without the information from UNSW and RACE for 2030 on what is equitable?
- AER staff noted that this mechanism of 'who gets what' is a determination that will happen about 2 years into the trial. The AER is considering the project holistically, noting this decision is still to be made.

Consumer advocate

- Aware that for some large commercial energy customers, the retailer contract puts specific limits on having CER because that offsets the energy that the customers might purchase. Concerns how Ausgrid's aim of getting more C&I solar interacts with those retail contracts and if there's a barrier there that's not being addressed.
- AER staff noted if there is evidence of this, the information can be included in a confidential submission and would be appreciated.

Consumer advocate

- Another avenue for getting to a level of consumer protection can be provided through the governance framework for the project. Haven't heard any discussion about that. Whether Ausgrid customer council or another group will have an active role in ensuring that consumer views are considered as part of the project on an ongoing basis. That whole governance discussion needs to be elevated a bit as well. There are gaps.

Topic 3: Competition

Government representative

- Interested in a few ideas in this area. Obviously direct contradiction with the ring-fencing rules for Ausgrid to go in and start operating batteries which we understand is a concern for numerous retailers and other competitors in the current market. The idea that Ausgrid seeks to share revenues of that operation with customers is very interesting and potentially sets a bit of a benchmark for how ring-fencing waivers might be considered in the future. There's one question with ring-fencing waivers which is the extent to which batteries that are placed in constrained locations to provide network services now have revenue risks that are now being factored into those constrained batteries. So those contracts are potentially a bit lower or substantially lower than an unconstrained battery. That is one question that comes out of this trial. What is the value of a constrained battery versus an unconstrained battery and if that value is lower are customers getting a bit of a raw deal. Having part of the battery on a RAB and low rent or tolling arrangement coming out of it.
- Is there a way to incentivise third parties to install batteries in constrained locations to provide these network services that Ausgrid is proposing with these batteries?
- Finally, from the perspective of operation a large portfolio of batteries with a view to focus on network peaks and flattening those peaks, if that scales to the entire network and you have an entire metro area that is fairly flat, does that translate to removing some of that general peakiness that is currently being taken advantage of by large battery operators in the transmission system? Can this trial help us to understand whether that could be a bit of a competition counter point to the current large battery operators?

Consumer advocate

- Clarify that Ausgrid are applying for a ring-fencing waiver now, does that mean if they judge the trial to be successful, they don't need to apply for a ring-fencing waiver to roll-out this model across the network?
- AER staff clarified that there would be a timeframe on the ring-fencing waiver and this would be aligned with the timeline of this trial. It would then be a separate decision on what would happen once the trial period ended in terms of a new or renewed ring-fencing waiver. Part of Ausgrid's exit plan is to sell the assets and if they consider it is successful there is another decision for the AER to make.

Consumer advocate

- There are already examples both internationally and locally of third party-owned batteries contracted to provide network support services that, when these services aren't used, can then offer their capacity to the market elsewhere. It's not clear how

this trial is different. It is a monopoly encroaching onto that third party model and if as in other cases the constraints that need to be resolved are adequately made visible to the competitive market and the tariffs are sufficiently desirable then third parties would be interested in providing those network services.

- AER Chair Clare Savage noted would like to model alternative ways to deliver different things and test which ones work well, and which ones don't.
- Customer representative noted that the control experiment in this trial would be Ausgrid sharing their spatial energy plan with the market and appropriate tariffs and see what the commercial approach would be to achieve the same outcomes versus the DNSP.

Consumer advocate

- Agree with previous speaker. If this is such a wonderful thing, Ausgrid should be supportive of giving this information to the market to allow a private market provider of this service to do a trial for the same period.

Consumer advocate

- On the competition front, we have heard some anecdotal reports from some battery providers operating in the commercial space that they are already facing barriers to accessing either battery-specific tariffs or access to DNSP-owned land that is suitable for battery development.
- On the tariffs aspect, that often intersects with the sandboxing arrangement that the DNSP might organise a tariff with their ring-fenced subsidiary and then when a commercial operator comes in and seeks access to the same tariff, the DNSP might say they have negotiated that tariff with the subsidiary and that is commercial in confidence and they get locked out from access to those.
- This raises concerns around transparency and fair competition in terms of commercial providers being able to play in that space. Likewise on the access to DNSP-owned land, same thing with DNSPs and their ring-fenced subsidiaries and ensuring that the land that's suitable for that battery development is subject to open tender and that the DNSP consumers receive the full value of that land and that there aren't deals done between DNSPs and their ring-fenced entities.

Topic 4: Trial conditions

Independent consultant

- A condition could be to test if the benefits exceed the costs and including potential alternatives, so you would look at alternatives that would include some sort of network control services and if some of these services could be provided via outsourcing arrangement. Some sort of condition leading up to the decision, or the decision being made subject to the equivalent of a regulatory investment test for distribution for this investment.

Consumer advocate

- Something interesting around the spatial energy plan and perhaps how often that is updated and being open to third-party-led solutions as part of the trial. The spatial energy plan needs to be more frequently updated than an annual update. Things are changing rapidly and, noting Energy Consumers Australia's rule change proposal for

a biannual plan, going off the UK model of data sharing that is very frequent updates, not suggesting that. DNSPs need to move to a more agile world and that includes planning and making constraints visible to all to address the data asymmetry. At a minimum it should be updated quarterly, ideally monthly.

Consumer advocate

- Goes to key learnings and what would be important. Also goes to a previous comment from Ausgrid around needing to get batteries to behave differently to the current commercial market drivers. Insofar as the orchestration piece truly does add value in the battery space, teasing out what those price signals and market drivers are and making those available so other parties can play in this space and provide that value and it is not just the exclusive domain of DNSPs doing this orchestration work to unlock this value. That would be a great value and would be wonderful to have that shared.

Consumer advocate

- In terms of reporting conditions, some consumer segmentation to get a clear indication of the range and diversity of the customer and what the reporting and findings are broken down.

Open discussion

Consumer advocate

- Ausgrid's innovation fund was wound back significantly in the last reset, and this project is significantly larger than the reduction in that network innovation program in its entirety. The concern around this project is the scale and noting the potential learnings from a large cohort, not sure you can adequately engage with 36,000+ customers. Would like to understand 'why now' given only a year or so ago the innovation program was reduced significantly. Is it the nature of the innovation of the project proposed?
- AER Chair Clare Savage noted that comment goes to network regulation and not sandboxing. The innovation allowance that Ausgrid proposed was considered in the context of the time of the decision and if there was sufficient specificity of the projects that were being proposed for that allowance. We haven't specifically solicited this proposal from Ausgrid, what we have been asked to consider is a particular project in a particular context. This context is the sandbox context, and we will assess this against the sandbox criteria which are quite different to the revenue and pricing principles in the context of a network determination.
- Is there a concern if a network doesn't get something through the standard revenue proposal process it can then take it to the sandbox where it will be treated in a different way?
- AER Chair Clare Savage noted this concern but noted the sandbox was set up with different principles than network determination process, but the trials still need to meet the innovative trial principles. Not all sandboxing proposals will be network proposals.

Consumer

- Asked whether Ausgrid is making any claims in relation to improved network resilience? Noted there is nothing in place to address or measure any improvements or downgrading of resilience in terms of outages. Over the years we have had a number of unexpected weather events and cyclones which will happen over the course of this trial. Is there anything in place to look at it?
- AER staff noted network resilience is not a focus of the trial as put forward by Ausgrid but that commentary on this point is welcome.

Government representative

- Grid resilience benefits are going to be key. The more local energy and solar that we have accessible is going to be deferring infrastructure that is going to be at risk in the other regions that will be more disaster prone and looking at the intensity and frequency of climate induced disasters, this is very much on the radar for communities who are concerned about that. Noting this is not a focus of the trial but when we are engaging with communities around this it is an important aspect to the discussion and the trial learnings will be interesting in terms of the broader resilience benefits for the grid.

Conclusion

AER Chair Clare Savage thanked participants for their time, participation and feedback. She provided a recap of the discussion, including an overview of the issues raised. She noted that while we are approaching trials with an open mind and that submissions will be critical for the AER's consideration of this trial.