

# Ausgrid Community Power Network sandbox proposal

## Flow Power submission

September 2025





## About Flow Power

Flow Power is an electricity retailer that works with energy customers throughout the National Electricity Market (NEM). Together with our customers, Flow Power is committed to our vision of creating Australia's renewable future.

We empower customers to take meaningful action. By providing energy knowledge and innovative technology, we are delivering smarter ways to connect customers to clean energy to make our renewable future a reality. We provide our customers with:

- + Engineering support, access to live data and transparent retail tariffs that reward demand flexibility and encourage electricity usage at times of plentiful renewable output.
- + Hardware solutions that equip customers with greater information, visibility and control over energy use.
- + Access to renewable energy, either through distributed solar and storage installed on site, or through a power purchase agreement with utility-scale wind and solar farms.

We believe that by equipping customers with these tools, we can lower costs for all energy users and support the transition to a renewable future.

## Overview of submission

Thank you for the opportunity to provide a submission on Ausgrid's Community Power Network sandbox proposal. Flow Power does not support the proposed waiver for the reasons outlined in this submission. The key points are:

1. There is no clear evidence base for this trial.
2. The scale of the proposed trial, in terms of size, length and costs, have not been justified.
3. The claimed benefits are unclear and unconvincing, and outweighed by the risks to competition and the cost-effective rollout of CER in the short and long-term.

If you have any queries about this submission, please contact me on [REDACTED] or at [REDACTED]

Yours sincerely,

[REDACTED]

[REDACTED]

Flow Power

## There is no clear evidence base for this trial

Ausgrid has requested a ring-fencing waiver for the purposes of conducting a sandbox trial. The AER states that the sandboxing function aims to “help energy innovators and start-ups navigate complex regulatory frameworks and enable the trial of new products and services that will deliver greater choice and cheaper energy options for consumers.”<sup>1</sup> However, it is not clear from Ausgrid’s proposal how it will deliver an enduring solution for providing greater choice and/or cheaper options for the delivery of energy to consumers. :

Trials are opportunities to test new ideas and help a business refine its product or service to make it more viable in the long term. However, the NER is clear that DNSPs have no long-term role in the provision of CER assets and services. Consequently, it’s unclear what Ausgrid would need to trial here, why a waiver needs to be granted to deliver the stated outcomes of the trial, and ultimately what the long-term consumer benefits of Ausgrid conducting this trial would be. If there is no enduring role for DNSPs in the provision of CER, granting a waiver to allow Ausgrid to undertake a trial serves no useful purpose.

We also note that the *NEM wholesale market settings review* recently recommended against the creation of distribution-level markets.<sup>2</sup> Testing the creation of a local market for excess solar therefore serves no useful purpose and risks diverting resources away from initiatives that are more aligned with the recommendations in that review.

## The scale of the trial is unjustified

### Trial size and length

Ausgrid’s proposed trial will involve around 32,000 customers. This is a very large trial, and it’s unclear why that many customers are needed to test the trial’s objectives. At five years, this is also a very long trial. Ausgrid has not provided any reasoning for why that much time is needed to test the trial’s objectives.

Given the considerable costs of the proposed trial and the significant potential impacts on customer equity and competition, Ausgrid must provide a more detailed explanation of why such a large and long trial is needed. Additionally, the AER should seek to understand why, if the trial is to proceed, it cannot be delivered with a significantly reduced scope.

### Costs

Ausgrid proposes significant upfront and ongoing costs to deliver the trial, recovered from customers in the trial area and across the broader network through the standard control services RAB. Customers cannot opt out of the trial and will otherwise be unable to minimise their exposure to these costs. Further, Ausgrid would face no competitive pressure to minimise costs once the trial is underway.

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<sup>1</sup> AER, Ausgrid: Community Power Network Trial, Issues paper, 2025, p1.

<sup>2</sup> NEM Wholesale Market Settings Review, Draft report, August 2025, p78.

As regulated monopoly, Ausgrid is subject to strict rules governing both its expenditure and how costs are recovered from connected energy users. The NER and AER guidelines ensure that DNSPs' expenditure is subject to detailed scrutiny.

When a startup or other competitive business proposes a sandbox trial, it bears the financial risk itself. This creates a clear incentive to assess costs and benefits carefully, and to deliver a successful outcome. DNSPs, by contrast, do not carry the same financial risk. In this case, Ausgrid is proposing to recover most of the trial's costs from its customers, who cannot opt out and have no control over these costs.

Approving Ausgrid's proposed costs and cost recovery approach without significantly greater transparency and scrutiny would be inconsistent with the NEO and with the broader framework for economic regulation of DNSPs.

## The benefits are unconvincing and unclear

The proposal claims that the trial will deliver several benefits, including lower costs for consumers, demand smoothing, improved health outcomes, deferral of network augmentation, and broader network learnings. However, it contains very little analysis to substantiate these claims or give confidence that these outcomes will be achieved. We also don't believe that a trial or rule waiver is needed to deliver these benefits – many can be delivered under the existing rules by the competitive sector.

Two claimed consumer benefits are particularly questionable:

- + **Emissions reduction** Ausgrid defines an emissions reduction benefit (\$42.6 million) associated with the incremental solar PV. It then takes this value and adds it as a cost to the standard control services RAB that all Ausgrid consumers pay for. This is despite the capital costs of the solar being incurred by private customers in the trial area funded themselves. The basis for Ausgrid taking credit for these emissions reductions and using them as justification for passing greater regulated costs onto the broader Ausgrid customer base has no precedent and appears highly irregular.
- + **Dividend.** There is very little analysis of the expected customer dividend. The design and distribution of the dividend is to be determined by an external party through a process that has not yet begun. This means that Ausgrid expects the AER to rule on this trial waiver request before the most significant consumer benefit has even been defined.

Given the scale and costs of this trial, and the fact that all Ausgrid consumers will be funding it, consumers deserve to see a much more thorough and transparent assessment of the claimed benefits.

The effect of the trial will be to undermine the competitive market which has already shown it can effectively deliver solar, storage and VPPs. The AER's consultation paper states that "competition is generally the most efficient way to deliver energy services for consumers" and we agree. The significant growth in solar PV, battery and VPP market offerings shows that the private sector can develop mature and competitive markets for CER assets and services in Australia. These markets exhibit high levels of product and service innovation, price competition and service quality, delivering positive outcomes for consumers. There is no evidence of market failure in the PV, BESS or VPP markets that warrants

intervention, either through a trial or on a more permanent basis. If we allow private businesses to take risks trying to find solutions to consumer needs, successful business models will emerge. Allowing DNSPs to stake a claim in this space will discourage competitive players from entering and will slow the uptake of CER.

While Ausgrid has rightly noted that there are equity issues associated with the rollout of CER, underlying equity concerns are best addressed directly through government policy, rather than monopoly businesses.

Ausgrid's proposed trial will negatively impact competition, for the following reasons:

- + **Price discrimination.** It will create various form of price discrimination that will favour Ausgrid over competitive suppliers. For example, Ausgrid proposes to design a specific network tariff that is only offered to its own batteries in the trial area. It also proposes to create higher feed-in tariffs and lower network charges for those in the trial area, creating price discrimination within the Ausgrid network based on geography only. As we understand it, these special tariffs would not be available to batteries and solar installed in the same trial area or elsewhere in Ausgrid's network.
- + **Information advantages.** Ausgrid proposes to keep its spatial energy plan proprietary until the point at which its own assets are being deployed, despite the fact that all consumers will fund the plan's development. This approach gives Ausgrid a significant competitive advantage in identifying optimal locations for BESS assets. It also prevents the competitive sector from addressing any gaps in solar PV identified in the plan, thereby increasing the likelihood that Ausgrid will appoint itself as the solar PV provider of last resort.
- + **Preferential access.** While the ring-fencing rules contain requirements around non-discrimination, we believe the trial introduces considerable risks that Ausgrid will favour its own connection projects over others, for example through information advantages, or faster or preferential processing. The AER needs to explain how it would be able to reasonably enforce compliance with any conditions before signing off on any version of this trial.

The above matters will decrease the incentive for competitive providers to offer services in the trial areas, with resulting impacts on competition and consumer choice in the short term. If the trial is to continue indefinitely as Ausgrid proposes, it will also create long term competition impacts.

We encourage the AER to uphold the intended separation between regulated and competitive spaces. Unwavering separation of regulated businesses from competitive spaces is fundamental to:

- promoting fair competition
- preventing market manipulation, and
- ensuring the efficient delivery of electricity services.