19 September 2025

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

Dear Ms Jolly,

RE: Submission to the Ausgrid: Community Power Network trial

Origin Energy (Origin) appreciates the opportunity to provide a response to Ausgrid Community Power Network (CPN) trial and the accompanying Australian Energy Regulator (AER) issues paper.

As our energy system transforms with the uptake of consumer energy resources (CER), neighbourhood batteries and virtual power plants, it is vital that we have a regulatory framework that supports the adoption of new technologies and business models that will allow for a more efficient energy market.

The Energy Innovation Toolkit can play a key role in exploring the synergies and relationships among distributors, retailers, and third parties regarding CER and DER ownership models as well as in enabling access to, deployment of, and orchestration of these assets.

Ausgrid proposes to test the hypothesis that 'the coordinated deployment and orchestration of distributed storage by the network operator can deliver the lowest cost of electricity to all customers.'[1] Origin recognises that distribution networks have a critical role in enabling the deployment of CER and community batteries due to their understanding of the network, knowledge of capacity constraints, and, by extension, expertise in identifying the optimal location of these assets. Notably, the proposed trial goes beyond this with Ausgrid proposing to purchase, own and operate battery (and potentially solar generation) assets as well as sell electricity into the wholesale market. This will allow Ausgrid, as a monopoly provider, to undertake contestable services and to include these services in its regulatory asset base (RAB).

However, it is not clear that the proposed trial will allow for the testing of the central hypothesis regarding the least cost delivery of distributed storage. For this to occur Ausgrid's ownership and operation of these assets, as suggested, would need to be weighed against alternative scenarios including where distributed storage is delivered by third parties in coordination with distributors. Additionally, any costs (including impact on competition) associated with deviating from standard ring-fencing protocols and the delivery of these assets as a regulated service, would also need to be considered.

As a result, we do not support the proposed trial in its current form. However, we consider there is a strong case for distribution networks and third-party providers to explore optimal ways of coordinating the installation and operation of CER services. We discuss our concerns about the trial and potential modifications below.

[1] Ausgrid, Community Power Network Overview, p.2.

Waiver criteria

The National Electricity Law sets out key principles that must be considered when granting a trial waiver. Key principles that relate to the Ausgrid proposal are how the business model may impact competition in a competitive sector of the electricity market, whether the project will deliver materially improved outcomes for consumers, and whether it contributes to the achievement of the national electricity objective (NEO).[2]

Impact on competition

Ring-fencing is a pivotal component of the regulatory framework and is necessary to ensure there is efficient long-term outcomes in the electricity market for consumers. One of the key tenets of ring-fencing is to establish a level playing field for third party providers in new and existing markets for contestable services. This is for good reason. It is an accepted economic principle that competitive markets deliver better long-terms outcomes for consumers compared to monopoly providers – this is because it increases choice for consumers, improves the service they receive and puts downward pressure on prices.[3]

Without sufficient competition there will be limited incentive for distribution networks to pursue product innovation or differentiation, no incentive to tailor products to individual customer groups, and generally higher prices for consumers. We agree with the views of the AER that: [4]

> *…if other players do not enter the market when they otherwise would, because of the uncertainty and risks of competitive foreclosure created by DNSPs in the market, then only one model of battery deployment will materialise and the sector may lose the benefits of innovation and efficiencies that the competitive provision of batteries may otherwise provide.*

Delivering Customer Outcomes

There are numerous examples of joint community battery projects currently available in the market. Origin has been working with distribution networks (including Ausgrid), local community groups, local councils and internally to develop and facilitate community battery and community power projects. Origin currently orchestrates over 100 batteries across the Endeavour, Essential, Ausgrid, Energex, Ergon and Jemena networks. In most cases Origin customises an integration to the network hardware, provides trading instructions to the battery and facilitates the use of the asset by the distribution network.

The abundance of community battery projects clearly demonstrates that commercial entities are actively pursuing opportunities and investing considerable time and resources into the development of community battery projects both independently and in conjunction with DNSPs. We consider that a coordinated approach between DNSPs and commercial providers will optimise the value stack from community battery schemes.

Testing outcomes of the trial

There are several factors that the AER should consider when assessing the trial hypothesis. These include:

- How will success be determined? To decide if the trial has delivered lower cost outcomes it should be compared to a counter-factual / alternative scenario including the delivery of distributed storage by the competitive market. It should be made clear how such an assessment would be undertaken.
- The assessment time horizon. The trial involves long-lived assets that exceed the time horizon of the trial. Given this how then will the assessment period be determined?
- How will negative externalities be accounted for, such as the cost of any detriment to competition by allowing a monopoly provider to provide these services.

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[2] National Electricity Law, section 7B.
[3] AEMC, Rule determination, Integrating Storage into the NEM, 2 December 2021, p.12.
[4] AER, Electricity distribution Ring-fencing Guideline Explanatory statement – Version 3, November 2021, p.32.

- How will the AER ensure that the trial is not inappropriately cross-subsidised by regulated revenues. To provide stakeholder confidence, the AER should provide details of the process for allocating costs between regulated and unregulated activities.

It is imperative that the assessment framework is published and subject to public consultation.

Origin's proposed amendments to the trial

Ideally the trial would focus on how distribution networks and third-party providers can best coordinate to deliver consumer benefits through orchestration and strategic deployment of solar and battery assets. However, in the absence of this if the trial were to largely go ahead in its current form it should be subject to the following conditions:

- Ausgrid should publish detailed information about where community batteries would deliver the most network benefit. This will enable third-party providers to deploy batteries in optimal locations and allow Ausgrid to control battery placement and network support functions. The level of granularity of this data should be agreed to between Ausgrid and key stakeholders.
- Establishment of a formal process to identify community battery opportunities and invite commercial providers to participate via transparent service arrangements.
- Examination of how Ausgrid could streamline its community battery network connection process to improve the timely and efficient connection of assets to the network.
- Commitment to the development of dynamic cost reflective network pricing to facilitate third party access.

We would be happy to work together with the AER and Ausgrid to discuss how we believe the trial could be adjusted to better achieve the trial objectives.

Our response to selected stakeholder questions is provided at Attachment A.

If you have any questions regarding this submission, please contact [redacted] in the first instance at [redacted].

Yours sincerely

[redacted]

Potential to develop new or materially improved approaches to energy services

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

Ausgrid's community power network proposal is not unique; numerous community battery projects have been trialled or are currently underway. For example, Origin currently provides a range of community battery services.

Origin has been working with distribution networks (including Ausgrid), local community groups, local councils and internally to develop and facilitate community battery and community power projects. Origin currently orchestrates over 100 batteries across the Endeavour, Essential, Ausgrid, Energex, Ergon and Jemena networks. In most cases Origin customises an integration to the network hardware, provides trading instructions to the battery and facilitates the use of the asset by the distribution network. Batteries range in size from 30kW to supporting the edge of the network to 5MW supporting multiple customers. Origin also operates programs to distribute these benefits to customers through Energy Storage as a Service (ESaaS) programs. The programs collect the benefits of local production and use of energy from the distribution networks and provides this to customers in the areas with community batteries.

Origin has also deployed batteries in the non-network context. Origin has deployed a network of community batteries supported by a battery-linked retail electricity offering. Origin designed, supplied and installed >1MWh of capacity across three sites and provides orchestration and operating and maintenance services, sharing the value created with City of Melbourne. The solution will be rolled out to additional sites in the future.

Numerous community batteries have also been deployed through the Federal Community Batteries for Household Solar program. The October 2022 Federal Budget provided $200 million for the program to deploy 400 community batteries across Australia. Of this, the Australian Renewable Energy Agency (ARENA) is administering $171 million of grants for community batteries through two rounds. Round 1 approved $124.7 million to support 318 batteries across Australia. Round 2 has $46.3 million available with grants expected to be awarded by the end of the year.[5]

Commercial entities are actively pursuing opportunities and investing considerable time and resources into the development of community battery projects both independently and in conjunction with DNSPs. We consider that a coordinated approach between DNSPs and commercial providers will optimise the value stack from community battery schemes. Battery placement and network support functions should be controlled by Ausgrid, while ownership and operation by commercial providers should be enabled to preserve competitive neutrality and ensure that the benefits associated with competitive provision of services are maximised.

Effective commercial provision is dependent on network visibility. The lack of network visibility is a key constraint to third party involvement in the distribution network. The AER states that:

> *Low-voltage network visibility is a key enabler of the transition of Australia's energy system to incorporate more small-scale DER. Network visibility empowers non-network actors of all kinds to understand, interact, invest and connect with the distribution network. Understanding local network capabilities and limitations allows DER investments to be right-sized and installed in locations where they will be utilised.*[6]

[5] Community Batteries Funding Round 2 - Australian Renewable Energy Agency (ARENA)
[6] Australian Energy Regulator, Low-voltage Network Visibility Phase 3 Final Report, March 2025, p.20.

The AER's low-voltage network visibility project investigated how distribution networks could be more transparent to third parties. The Phase 3 report outlines the actions the AER will take to ensure third parties have adequate visibility of distribution network data including reputational incentives via performance reporting and the investigation of new incentive schemes. The AER also supported the key elements of the Energy Consumers Australia (ECA) 'Integrated Distribution System Planning' Rule change request.[7]

AEMO is also reviewing a rule change request from the ECA to implement a new Integrated Distribution System Planning (IDSP) process. ECA has identified potential issues with the existing distribution annual planning process. Among those issues, it considers the lack of network transparency is preventing consumers, communities and other third parties from making informed investments in CER, to the detriment of the investor and the network.[8] ECA proposes changes to the IDSP to improve the visibility of distribution networks for third parties, including increasing the transparency of data, modelling, and methods used by DNSPs.[9]

Ausgrid's Spatial Energy Plan provides details of the Ausgrid network, including current loads, network constraints, and the locations of CER/DER. It also shows market grid capacity for additional solar and required storage along each low-voltage distribution feeder. As the network owner/operator, Ausgrid has exclusive access to the Spatial Energy Plan. While some network information is available to third parties, this is typically limited. This information asymmetry is a significant impediment to efficient third-party provision of CER/DER assets in the Ausgrid network and undermines potential consumer benefits.

The trial should seek to accelerate network visibility for third-party providers. Ausgrid's Spatial Energy Plan should be published so that commercial entities can see where they can most easily connect new assets and obtain the most benefits from them. In addition, Ausgrid (DNSPs) should be incentivised to work cooperatively with commercial entities to identify potential opportunities for the deployment of community batteries across their networks.

Proposed funding and what happens at the end of the trial

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

Ausgrid proposes sharing a portion of the project costs with all Ausgrid customers via inclusion in the Ausgrid RAB. There is insufficient detail in the submission to enable stakeholders to make an informed assessment of the sharing arrangement or the benefits accruing to all Ausgrid customers. The same information standards and regulatory efficiency and prudency test that apply to a regulatory capital expenditure project should also apply to this trial application. These details need to form part of the consultation. It also appears that all costs (primarily operating costs) associated with distribution system operations are capitalised to the RAB, despite this function being a critical component of the trial.

It is not clear how the bonus solar feed-in tariffs are funded and how long the bonus is expected to apply. This is particularly important since the bonus feed-in tariff is likely to be a critical consideration in a customer's decision to oversize their solar installation. If the bonus is only applicable to the life of the trial, there is potential that customers do not recover the expected feed-in tariff revenue for the remainder of the installation's life. This is likely to influence the customer's initial decision to oversize their solar installation.

[7] Australian Energy Regulator, p.20.
[8] Australian Energy Market Commission, Consultation paper Integrated Distribution System Planning, June 2025, p.1.
[9] Energy Consumers Australia, Integrated Distribution System Planning (electricity) rule change request, January 2025, p.13.

If Ausgrid is required to provide solar installations, it is not clear how these assets will be treated by Ausgrid in the short and long-term i.e. will these assets form part of the RAB at the conclusion of the trial?

Ausgrid's ability to capitalise trial costs into the RAB provides a distorted picture of the trial's costs and benefits and unfairly advantages the trial compared to a commercial provider who does not have the ability to transfer costs to a separate entity. Any assessment of the costs and benefits associated with the trial compared to alternative provision models would need to be conducted on a like-for-like basis.

If successful, Ausgrid proposes that it will seek to classify the activities associated with the trial as a 'distribution service' at the conclusion of the trial. We consider there is no scope for these services, particularly wholesale trading and generation activities, to be classified as distribution services. These services are provided by the competitive market and DNSPs should be strictly prohibited from operating in this market. We do not consider that Ausgrid's proposal represents a viable exit strategy. On the basis that this is a trial, we consider that any assets that have been included in the RAB should be removed at the conclusion of the trial.

Contribution to achieving the National Electricity Objective

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

As discussed, we consider there is a role for both DNSPs and commercial providers in the provision of community battery schemes. Joint provision provides the most opportunity to maximise the value stack by incorporating the benefits associated with competitive service provision. Consistent with economic theory, we consider that the competitive market will deliver the most efficient consumer outcomes, particularly in terms of price, consumer choice and innovation. As stated by the Australian Energy Market Commission (AEMC):

> *Promoting competition, including through enhanced transparency and enabling a level playing field, is in the long-term interests of consumers. This is because it increases choice for consumers, improves the service they receive and puts downward pressure on prices.*[10]

In assessing this trial application, the AER must have regard to the NEO. The NEO and competitive provision of services are mutually supportive; the competitive market helps to achieve the NEO's goals of efficient investment and operation, as well as ensuring the long-term interests of consumers.

Retailers and other providers are already investing in differentiated service offerings for consumers. Retailers serve as the primary interface between consumers and the energy market and are experienced in providing innovative solutions and products to customers. As such, retailers are best placed to continue to deploy and orchestrate community batteries consistent with consumer choice and preferences. Failure to provide for third party provision of community battery services means that over time consumers will potentially lose out on price competition, innovation, and tailored services.

With Ausgrid recovering its costs and controlling the assets, there is little incentive for Ausgrid to advance efficient, cost-reflective pricing that incentivises commercial deployment of community batteries. This delays the development of market-driven pricing models to the long-term detriment of customers.

Consumer protections and risks

12. How should equitable dividend distribution be defined?

[10] AEMC, Rule determination, Integrating Storage into the NEM, 2 December 2021, p.12.

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

It is not clear that the Ausgrid proposal provides for the lowest whole-of-system costs or value for money for consumers. Ausgrid has not provided evidence that it can provide community battery services more cost-effectively than alternative provision models – there is no breakdown of costs or comparative assessment against alternatives. We believe that any potential short-term cost advantage that Ausgrid may have will be by virtue of its monopoly status, especially since Ausgrid is able to defray some of the project costs to all Ausgrid customers through inclusion in its RAB.

It is important that Ausgrid provides a detailed breakdown of the cost categories and associated costs demonstrating where Ausgrid has a cost advantage and that any cost advantage is not achieved by virtue of Ausgrid's monopoly status, exclusive access to network visibility and control over network connection.

To the extent there is a cost differential, the AER needs to assess the materiality of that differential. The AER should make clear its decision-making process in this regard, including how it intends to quantify the consumer benefit versus alternative provision models. This should include information on how any negative externalities are accounted for, such as the cost of any detriment to competition by allowing a monopoly provider to provide these services.

Given the trial involves long-lived assets that exceed the time horizon of the trial, the AER should clarify how the assessment period will be determined to ensure than any long-term cost / benefits are incorporated in the AER's assessment of the trial.

To assess the trial against potential alternatives it is necessary to ensure that costs (and benefits) are comparable. Any cost allocation applied by Ausgrid should be rigorously reviewed to ensure that costs associated with the project are appropriately allocated between the project and regulated services. Compliance with approved Cost Allocation Methodologies (CAMs) is a first-order requirement – a detailed assessment of cost allocation is required to ensure that there is no inappropriate cross subsidy between the project and regulated services. Any advantage to the Ausgrid competitive service provider, no matter how small, has the potential to disadvantage competing alternative providers. Accordingly, we consider that no materiality threshold should be applied when assessing costs allocated between the project and regulated services.

We note also that the long-term cost implications to customers at the completion of the trial are not clear. For example, it is not clear what feed-in tariff is likely to apply at the conclusion of the trial and whether a bonus rate will continue to apply. Customers are likely to incorporate the provision of a bonus feed-in tariff in their initial decision to oversize their solar installation. To the extent that the bonus rate does not extend beyond the 5-year trial and/or future feed-in tariffs are lower than current rates, there is potential for customers to receive less feed-in tariff revenue over the life of the installation than necessary to justify the initial investment.

Competition impacts

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

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

The trial would allow Ausgrid to own and operate battery assets and manage these assets to generate unregulated revenue through selling electricity to the wholesale market and providing ancillary support services. Given the existing information asymmetry and control over the network connection process, there is a risk that Ausgrid will discriminate against alternative community battery provision models to expand their services (and revenue) and their future regulatory asset base.

Ausgrid has already expressed its desire to classify the activities as a distribution service to be provided by DNSPs. We are concerned that Ausgrid and DNSPs more broadly will take advantage of the trial process particularly given the information asymmetry that exists in favour of Ausgrid and DNSPs to expand their interests beyond network support into wholesale markets and provision of customer products. There will be limited incentive for Ausgrid to improve access to network data, streamline the connection process or advance cost-reflective network pricing. Ausgrid and networks will continue to argue that they have a cost advantage over third-party providers – an advantage obtained by virtue of its monopoly status and control over key aspects of the community battery deployment process. Without sufficient competition there will be limited incentive for distribution networks to pursue product innovation or differentiation, no incentive to tailor products to individual customer groups, and generally higher prices for consumers.

The proposal also risks crowding-out private investment in behind the meter storage / orchestration given Ausgrid's batteries will have an advantage by virtue of being included in the RAB and therefore having a lower cost of capital.

Ausgrid indicated that it will apply a lower network tariff to electricity that is both generated and consumed locally, recognising that only a small portion of the network is used to distribute power in the CPN. This tariff is lower than that available to commercial community battery providers. We consider this provides Ausgrid with an unfair advantage over commercial providers and is likely to overstate the consumer benefit associated with the project.

We consider that a cooperative approach between DNSPs and commercial providers provides the most potential to maximise the value associated with community batteries. To ensure that future third-party involvement in the provision of community battery schemes is not inhibited, Ausgrid should make its Spatial Energy Plan publicly available and actively assist third parties to identify viable community battery locations that will address network constraints and provide benefits for customers. Ausgrid should seek to establish a formal process to identify community battery opportunities and invite commercial providers to participate via transparent service arrangements.

In addition, there is considerable scope for DSNPs to better align connection requirements and provide more consistency and transparency in approval responses and timeframes to facilitate community batteries. Ausgrid (and DNSPs) should be seeking to reduce the complexity and time of the connection process and promote standardisation across networks to incentivise the commercial rollout of community batteries. Ausgrid should also accelerate the development of cost-reflective network tariffs for community batteries to incentivise efficient commercial deployment.

Network charges are a major barrier to the commercial deployment of community batteries. We consider that Ausgrid (and DNSPs) should accelerate tariff reform for community batteries to appropriately reflect both the network costs and benefits of community batteries. Tariffs should reflect the depth of network usage and be structured to reflect the impact that the use of the battery has on the costs incurred by the network (including deferred augmentation). Tariffs should be cost-reflective with regard to both the import and export of energy, specifically the network tariff should be based on how the import/export behaviour of

the battery affects network costs. Appropriately structured community battery network tariffs would incentivise optimal commercial battery deployment, contributing to a more resilient and cost-effective network, enhance financial viability and encourage customer uptake.

Potential conditions

23. What, if any, other conditions should be placed on the waiver to ensure consumers and their private information are protected, while maximising trial benefits and learnings?
24. What conditions should be placed on the waiver to monitor and protect competition while ensuring the trial generates learnings for all participants?
25. What reporting conditions or other requirements should the AER consider?
26. What data should the AER and/or Ausgrid publish (and when) to maximise learnings and benefits from the trial and are there specific metrics that should be used?

Ideally the trial would focus on how distribution networks and third-party providers can best coordinate to deliver consumer benefits through orchestration and strategic deployment of solar and battery assets. However, in the absence of this if the trial were to largely go ahead in its current form it should be subject to the following conditions:

- Ausgrid should publish detailed information about where community batteries would deliver the most network benefit. This will enable third-party providers to deploy batteries in optimal locations and allow Ausgrid to control battery placement and network support functions. The level of granularity of this data should be agreed to between Ausgrid and key stakeholders.
- Establishment of a formal process to identify community battery opportunities and invite commercial providers to participate via transparent service arrangements.
- Examination of how Ausgrid could streamline its community battery network connection process to improve the timely and efficient connection of assets to the network.
- Commitment to the development of dynamic cost reflective network pricing to facilitate third party access.

More generally, extensive and detailed information on the process for cost allocation is critical. We consider that a more granular assessment of cost allocation than provided for under the CAMs is required to ensure that there is no inappropriate cross subsidy between regulated and unregulated activities. Any advantage to Ausgrid, no matter how small, has the potential to bias trial outcomes.

In addition to an enhanced cost allocation process, we support a comprehensive compliance framework which will ensure that the development of the contestable energy services is not undermined by cross-subsidies or discrimination.

We consider there is no reason for such a large trial (32,000 customers). The costs and size of this trial are significantly higher than any trial that has been conducted on the sandbox to date. To the extent that any trial is approved, we consider that a significantly smaller trial could be conducted that would still provide the proposed learnings with less displacement of potential commercial provision.