

# Ausgrid Community Power Network

Trial waiver decision

Regulatory Sandboxing – Energy Innovation Toolkit

December 2025

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# Defined terms

Term	Definition
AEMC	Australian Energy Market Commission
AEMO	Australian Energy Market Operator
AER	Australian Energy Regulator
CER/DER	Consumer energy resources/distributed energy resources
CPN	Community Power Network
CPN Dividend	Benefits generated by the Community Power Network to be pooled and shared among trial participants
DNSP	Distribution network service provider
DSO	Distribution system operator refers to a party responsible for real-time system operation of a distribution network
Issues Paper	The document published by the AER and Energy Innovation Toolkit in August 2025 which outlined issues the AER intended to explore and invited stakeholders to make submissions on the Community Power Network proposal
NEL	National Electricity Law
NEM	National Electricity Market
NEO	National Energy Objective
NER	National Electricity Rules
NERL	National Energy Retail Law
NERR	National Energy Retail Rules
RAB	Regulatory asset base
Solar Provider of Last Resort	The ability for Ausgrid to provide and install solar generation within the Trial Sites if market conditions do not meet the target for solar generation tendered through the reverse auction process (measured in MW of generation and c/kWh feed-in tariff)
Spatial Energy Plan	A document to be published, maintained and updated in accordance with Condition 4; accounting for all generation, loads and grid constraints within each Trial Site and the Third Spatial Energy Plan Location
Start Date	The date on which the trial waiver commences, as specified in section 4 of this Decision
Third Spatial Energy Plan Location	The location for which Ausgrid must publish the Spatial Energy Plan data for the benefit of commercial providers to engage with to install and coordinate CER/DER determined in accordance with Condition 2
Trial Site/s	A site to which the trial waiver applies, at <b>(1) Charmhaven</b> and at <b>(2) Mascot/Botany</b> as identified in Figure 3.4: Proposed Geographic Boundaries for Trial Locations on page 13 of the <a href="#">Attachment to the Ausgrid Trial Waiver Application</a>

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# Executive summary

The Australian Energy Regulator (AER) has decided to grant Ausgrid a trial waiver from ring-fencing obligations to enable it to conduct a Community Power Network (CPN) trial (the trial). This trial will involve stimulation of investment in rooftop solar on both residential and commercial and industrial rooftops to increase local renewable generation. Ausgrid will also own and install local battery storage to store and redistribute local generation within the trial areas to reduce the cost of energy to consumers during the evening peak. The trial is intended to manage the local network more efficiently and reduce the need for energy to come from outside the local area at higher cost. It is also intended to generate value by trading in energy markets and through lower network charges and will share this value back with customers. Ausgrid, a distribution network service provider (DNSP) in NSW, lodged an application under the Energy Innovation Toolkit for a waiver from cl. 6.17.1 of the NER, which requires compliance with the *Ring-fencing Guideline (electricity distribution) 2025*. This regulatory waiver is necessary to enable the battery trading and solar procurement arrangements that support the trial.

In February this year, the AER introduced the concept of policy-led sandboxing. We invited trials that would help accelerate our understanding of the different models to overcome barriers to access, deployment and orchestration of distributed energy resources (DER) such as rooftop solar and batteries, including consumer energy resources (CER). The policy questions we were interested to explore through in-market trials include what types of relationships (e.g. between distributors, retailers and customers) might overcome these barriers, how the benefits of DER might be accrued and distributed, and how different models might build consumer trust.

Ausgrid's proposal is a direct response to this invitation. In reaching our decision, we considered the policy-led sandboxing objectives, the eligibility requirements for trial waivers in clause 8.16.4 of the NER and the innovative trial principles in section 7B of the NEL. The AER also carefully considered stakeholder feedback, including concerns about competition impacts, consumer protections, system impacts (including resilience), equity and the included benefits for consumers, and the degree of innovation associated with the proposed model.

Ausgrid identifies a range of potential benefits from the trial, including value directly returned to customers via a dividend mechanism and premium feed-in tariff, improved local grid resilience to short-term outages, increased capacity to host more local generation and load, reduced reliance on upstream supply, reduced need for future network augmentation and lower emissions associated with more efficient use of rooftop solar and distributed storage. Ausgrid proposes to do this in two locations in NSW (Charmhaven and Mascot/Botany, locations which have different challenges and are representative of different network needs) to test the approach. In response to stakeholder feedback, additional network data will be published for a third location at which Ausgrid is not operating a CPN. This will provide a point of comparison and support analysis of whether the trial's outcomes are driven by local conditions, the trial model or a combination of both.

To explore these possibilities, the proposal seeks to test whether locally shared storage, pooled solar and network-led orchestration can:

- get greater use from surplus solar from local homes and businesses and pass the benefits on to customers in the trial areas
- smooth evening demand peaks to use the existing distribution grid more efficiently and free up network capacity that could be used to support new or expanded customer connections – which could reduce the need for additional network augmentation expenditure
- reduce reliance on the transmission network and centralised grid-scale energy generation by using locally generated energy
- ‘stack’ the various value streams distributed energy can deliver – using batteries to access multiple benefits like wholesale arbitrage, ancillary services and supporting local network needs to get more value from each battery and from local energy sources.

Under current market arrangements, while all customers receive some indirect benefit from DER through lower wholesale market prices during high-solar periods, customers who don’t own their own solar and batteries miss out on the direct benefits that are available to those who do. The trial will assess whether a shared model can extend these direct benefits to customers who may face structural barriers to installing solar and batteries, including renters, apartment owners and commercial and industrial sites.

Stakeholders expressed diverse views about the proposed trial. Some stakeholders considered that the model is not sufficiently innovative and that it presents competition risks, including risks associated with distribution network involvement in activities that may otherwise be contestable. Others considered that the scale of the proposal, the diversity of trial sites and the explicit inclusion of consumers who face barriers to CER adoption mean the trial is sufficiently distinct from the objectives and scope of existing projects in the market. In assessing these views, we weighed the potential risks raised by stakeholders against the potential learnings and benefits. The trial and its conditions are designed to mitigate the following specific risks:

- Consumer protection – stakeholders noted uncertainty about the calculation and the practicalities of distributing the trial dividend to customers. Ausgrid has included the primary safeguard measure of ensuring that the dividend will never be anything less than zero, meaning participating customers are guaranteed to be no worse off for being a part of the trial. If the modelled dividend does eventuate, we consider the impact on participating customers will be positive. We have set out expectations for Ausgrid in relation to consumer engagement and dispute resolution and included conditions that will enable us to monitor customer outcomes.
- Competition concerns – while some stakeholders acknowledged the potential for knowledge sharing, learnings and benefits associated with this trial, many other market participants (including retailers, aggregators and businesses providing related electricity services) highlighted concerns about a DNSP being permitted to own and operate generation and storage. Central to these concerns were market power-based risks, including competitive advantage and information asymmetries associated with a network service provider also owning and operating generation and storage. To maximise the learnings while mitigating risks, we have carefully calibrated conditions to minimise the impact of the time-limited and geographically defined trial on the various markets that may be affected. These conditions include:

- extensive reporting obligations for data on the trial's operation, on financial and value-flows (for both networks and consumers), on customer experience and distributional impacts, and on knowledge sharing and learnings throughout the trial. In addition, Ausgrid is also required to commission 2 independent research reports (mid and end of trial) to include learnings on economic efficiency savings, system benefits (including service and network utilisation improvements) and equity impacts among participating customers
- open access to the Spatial Energy Plan, particularly as it relates to the Third Spatial Energy Plan Location
- equivalent operating conditions (including battery tariffs, connection timeframes and fees) for all parties seeking to connect DER within that Third Spatial Energy Plan Location, to those Ausgrid is allowing itself in the Trial Sites, to allow for benchmarking and ensure consistency across all 3 locations
- requirements for competitive tendering for the provision of all trial services.
- System and safety protection – AEMO has indicated it believes this trial could proceed without severely negatively impacting AEMO's operation of the NEM. Conditions require that all trial assets comply with existing regulations, including voluntary requirements, and as outlined in the AEMO submission, Ausgrid should engage with AEMO to ensure any risks or issues are managed. We have also included a condition requiring reporting of any safety incidents.

In addition, we have included several overarching expectations about how the trial will be conducted and practically operate. Ausgrid is expected to make all reasonable efforts to procure solar generation capacity from third parties and should notify and provide evidence of a market failure prior to taking on this role to support trial implementation. We also expect Ausgrid to develop a detailed stakeholder consultation plan, particularly detailing how it intends to engage with vulnerable customers or those from culturally and linguistically diverse backgrounds in the trial locations. We also expect the dividend sharing mechanism to be finalised within 2 years of the trial commencing and that the dividend distribution process should be at no cost to consumers.

The trial will deliver valuable insights into a distribution network-led orchestration approach and how it may assist in enabling and accelerating the benefits of DER. As articulated in our policy-led sandboxing framework, the value – and therefore, measure of success – of a regulatory sandbox is the evidence it generates. This trial can inform industry and policy makers on what role a network-led orchestration may play in reducing system costs, expanding access to the benefits of DER and more coordinated use of local generation and network capacity.

The trial framework provides a controlled, time-limited and geographically defined environment to observe these behaviours in a controlled environment (or 'sandbox'). The purpose of this trial is exploratory and intended to understand whether such a model could play a constructive role alongside other potential approaches.

The trial waiver is for a 5-year period, commencing one week after Ausgrid confirms its final investment decision. The waiver applies to 2 Trial Sites – Charmhaven and Botany/Mascot (the geographical boundaries defined in Ausgrid's trial waiver application). Ausgrid will also publish data for an equivalent Third Spatial Energy Plan Location to be made available to support testing of delivery methods and strengthen market learnings. The inclusion of a third

site is intended to provide a point of comparison and support analysis of whether the trial's outcomes are driven by local conditions, the trial model or a combination of both.

The AER's grant of the waiver is subject to 7 binding conditions and 3 expectations, designed to ensure the full value of the trial is captured while safeguarding consumer, market, competition, system and technical outcomes. These include requirements for comprehensive public reporting on the trial to enable evaluation of its outcomes. These conditions were informed and shaped by stakeholder feedback.

Ausgrid initially also sought a waiver from NER clause 6.6.5 relating to reopening its 2024–29 distribution determination for capital expenditure so that it could recover trial costs from its customers. However, the AER is unable to waive this clause. For the trial to proceed, Ausgrid will need to seek alternative funding, rather than financing the trial through its revenue allowance in the current period. Ausgrid may seek additional funding for the trial as part of its next regulatory reset proposal and the AER will consider any such proposals in accordance with the NER at that time. This is discussed further in section 1.3, along with the implications of this constraint.



# 1 Background

## 1.1 What is a trial waiver?

A trial waiver temporarily exempts an innovator from having to comply with specific laws, rules or provisions that may act as regulatory barriers to allowing an innovative trial project to proceed. Trials are limited to 5 years, with the possibility of a once-off extension of up to 1 year. The AER's power to grant trial waivers is derived from section 18ZL of the NEL, supported by provisions in Chapter 8 of the NER.

Trial waivers facilitate trials for new approaches, services or models that may be in the long-term interests of consumers but cannot be trialled under the current regulatory framework. These trials can provide evidence to support permanent changes to the law or rules to ensure they remain fit-for-purpose in serving the long-term interests of consumers.

## 1.2 Summary of the trial

Ausgrid proposes that the trial will take a community-based approach to powering homes and businesses by pooling surplus solar energy generated during the day. Ausgrid will incentivise consumer investment in rooftop solar on homes and businesses in 2 communities. It will do this by facilitating reverse auctions through which retailers and large customers can enter into agreements to sell their solar energy to the CPN, essentially receiving a premium feed-in tariff. It will also install community batteries that will be orchestrated to store and deliver energy and benefits to the local network. This energy becomes a shared resource, redistributed during the evening peak, with the benefits shared among all customers and businesses in the community, regardless of whether they personally own solar or storage.

The trial areas are Charmhaven on the NSW Central Coast and Mascot-Botany in Sydney.

Charmhaven is a predominantly residential area in which 32% of householders are renters. At times, the local grid experiences reverse power flows (that is, it is sending more energy out to the wider network than it is consuming, indicating a surplus of solar in the area). Reverse power flows can push local voltages beyond safe local feeder limits. When this happens, DNSPs or inverter settings may reduce rooftop solar output to keep the network within safe operating limits.

Mascot-Botany contains a mixture of residential and commercial and industry customers, including a port. Of all residents, 68% live in apartments and 50% are renters. Ausgrid has also identified the potential need for around \$30 million of switchgear upgrades in substations that service this area. It will consider through the trial whether the CPN can help defer or reduce the need for these upgrades.

As part of the trial, Ausgrid will develop and publish a Spatial Energy Plan. This plan will set out existing and forecast customer demand (including for solar, batteries and electric vehicles) and grid capacity. It will be used by Ausgrid to assess network constraints and network operational issues (e.g. voltage management) and to determine how much storage should be installed in each area as part of the trial. Publishing the plan at least annually will

mean other commercial entities can use it to assess where they can connect their own generation and storage assets separately to the trial.

Ausgrid states the CPN will orchestrate batteries to achieve 3 things:

- **Create a profitable local market for surplus solar:** using its batteries to store power when not commercially viable to sell it on the wholesale market. This will unlock untapped roof space, especially on large commercial and industrial roofs, with local owners capturing the benefits of generating cheap, carbon-free power that the network will then share with their neighbours.
- **Smooth out the peaks and troughs on the network:** this can avoid significant network costs to connect new generation and loads and ultimately reduce the cost of electricity in the future. This happens behind the scenes for customers, who are free to generate and use energy when needed and to support electric vehicles, electrified homes and smart retail products.
- **Share the benefits generated equitably with all customers in the community:** all revenues and cost savings are accrued centrally. After costs are netted off, the remaining benefits are equitably shared with all customers in the CPN catchment as an annual dividend – even if that customer does not have solar and storage assets of their own.

### 1.3 What Ausgrid sought a waiver from

Ausgrid originally sought a waiver from the rule relating to the ability to reopen its revenue determination to enable it to recover costs from customers (NER cl. 6.6.5). Its application also noted its intention to apply for a future waiver from ring-fencing requirements that constrain DNSPs from offering certain services. If granted, waiving NER cl. 6.6.5 and reopening Ausgrid's revenue determination would allow Ausgrid to add the costs of the CPN to Ausgrid's 2024–29 revenue allowance and recover these from customers. However, this rule applies to the AER, setting when and how the AER can allow determinations to be reopened.

Section 18ZT(2) of the NEL states that the AER cannot grant itself a trial waiver. The AER's view is that because of this prohibition on the AER of granting itself a waiver, it cannot grant a waiver from clause 6.6.5. Ausgrid will have to decide within this current determination period (2024-2029) how it will fund the trial. It may seek additional funding to support the trial in future as part of its next reset determination. This will likely require consideration about service classification and expenditure recovery as part of that future regulatory determination process. In the current framework, in certain situations, Ausgrid can attribute project costs to the regulatory asset base (RAB) and these situations can still occur during the trial. In future, Ausgrid is only able to attribute project costs for the trial to the RAB in circumstances where the amount allocated to the RAB reflects for each asset the proportionate share (that relates to direct control services) of the total quantified benefit that is forecast at the time the investment decision is made. As this decision does not make a determination about service classification or expenditure recovery, the AER reserves its rights to make an assessment on any future expenditure claim.

During consultation, Ausgrid clarified to the AER that it would like to have the ring-fencing issue considered as part of the trial waiver assessment, rather than as a separate ring-

fencing assessment. This approach is in line with our *Guidance Note: flexibility in ring-fencing and sandboxing waiver pathways*.<sup>1</sup> Ring-fencing prevents DNSPs from offering services other than distribution services. Operating batteries to provide services such as energy trading is not a distribution service; therefore, a ring-fencing waiver is necessary to enable the trial to proceed. It is also necessary should Ausgrid need to step in as the ‘Solar Provider of Last Resort’, which it proposes to do should the commercial market not respond as envisaged to its incentives for solar installation.

Some stakeholders also commented in the workshops and the consultation submissions about the requirement for a regulatory investment test for distribution in relation to this project. This is only necessary in certain circumstances and where the capital expense is over \$7 million.<sup>2</sup> At this point, because the funding source for this trial has yet to be finalised, the AER cannot comment on the need for a regulatory investment test for distribution. Once Ausgrid has determined this, it will need to consider the question of whether the requirement to undertake a regulatory investment test for distribution applies to the project and act accordingly.

## 1.4 Consultation process

As part of our consideration of the application, we are required to undertake public consultation, unless satisfied it will not directly impact other Registered Participants or other retail customers.<sup>3</sup> We released an Issues Paper and publicly consulted on Ausgrid’s trial waiver application from 6 August to 16 September 2025, including holding 3 stakeholder workshops in the week of 25 August 2025. We received 40 submissions,<sup>4</sup> including 1 confidential submission. The 39 non-confidential submissions and anonymised summaries of the feedback received in the workshops have been published on the Energy Innovation Toolkit website.

**Figure 1: The AER’s assessment timeline for Ausgrid’s CPN trial waiver**



<sup>1</sup> Energy Innovation Toolkit, [Guidance Note: flexibility in ring-fencing and sandboxing waiver pathways](#), August 2025.

<sup>2</sup> AER, [2024 RIT and APR cost thresholds review final determination](#), November 2024.

<sup>3</sup> NER clause 8.16.3(a).

<sup>4</sup> The AER has considered and recorded the AGL submission and the attachment from Tahu Consulting as 2 separate submissions.

## 1.5 The AER's assessment approach

In considering whether to grant a trial waiver, the AER has considered the following eligibility requirements in clause 8.16.4 of the NER<sup>5</sup> and the innovative trial principles in section 7B of the NEL.<sup>6</sup> Clause 4.2 of the Trial Projects Guidelines sets out our proposed approach to assessing whether the eligibility requirements and innovative trial principles are met. The key themes of these are in Figure 2 and the full list is at Attachment A.

While we must have regard to these principles, the AER takes a holistic approach to considering the eligibility requirements and innovative trial principles when assessing each application. Additionally, the AER may have regard to any other matter it considers relevant when considering whether to grant a trial waiver.<sup>7</sup>

**Figure 2: Regulatory sandboxing eligibility requirements and innovative trial principles**



Ausgrid's proposal represents the first policy-led trial responding to our call for proposals in February 2025, particularly around testing how we can overcome barriers to access to, and deployment and orchestration of, DER, including CER. At present, not all consumers can access the benefits of DER and there are limited signals and mechanisms for the integration of these benefits into the energy system. Effective access to, and deployment and orchestration of, DER are necessary to deliver a least-cost energy system for all consumers. The policy-led sandboxing framework is a relevant consideration in our assessment of Ausgrid's application. This is reflected below in our assessment of the trial.

<sup>5</sup> NER clause 8.16.4(a).

<sup>6</sup> NEL section 18ZL(2).

<sup>7</sup> See NER clause 8.16.4(b) and clause 4.2(e) of the Trial Projects Guidelines.

## 2 Summary of stakeholder views

Stakeholders submitted diverse views on Ausgrid's waiver application. Some stakeholders supported the trial for its ability to generate learnings and address DER integration challenges. Others offered moderate conditional support, while some stakeholders opposed the trial, citing risks to competition and consumer outcomes.

This section summarises stakeholder views in terms of broad themes that capture elements of the eligibility requirements and innovative trial principles. We also considered feedback on potential conditions that should apply to the trial.

### 2.1 Potential trial benefits and contribution to the NEO

#### Benefits

Many submissions highlighted the benefits of the trial, especially in relation to the Spatial Energy Plan.<sup>8</sup> Nexa Advisory, AGL and the Australian Energy Council noted the information the Spatial Energy Plan would provide to the market. During the workshops, stakeholders supported publishing the Spatial Energy Plan. The City of Sydney, Origin and University of New South Wales (UNSW) advocated that the Spatial Energy Plan data insights be freely available during the trial. Many stakeholders, including those against the principles of the trial, considered that data sharing through the Spatial Energy Plan is an attractive proposition. Notwithstanding its opposition to the trial, Nexa Advisory noted that the Spatial Energy Plan is an 'excellent initiative'. Energy Networks Australia noted that the Spatial Energy Plan and battery orchestration will help flatten peak demand, freeing up additional network capacity for new loads.

Essential Energy posited that learnings from the trial could be replicated in rural and regional regions where demand profiles differ, but CER integration challenges remain. It noted that future rule changes could allow for expansion to other jurisdictions and customer types.

The City of Sydney noted the potential of the trial to flatten peak demand, defer network augmentation and lower system costs. Several parliamentarians also noted the potential of increased network utilisation to generate long-term cost reductions if scaled.

#### Emissions reduction

Most submissions acknowledged to some extent that the trial proposal would involve greater uptake of renewable generation within the trial locations, which would have a positive impact on emissions reduction.

Hunter PV noted the trial has the potential to lower energy costs, accelerate decarbonisation and enhance resilience. Green Peak Energy also noted the trial will contribute to

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<sup>8</sup> For clarity, in Ausgrid's original trial waiver application, the Spatial Energy Plan was only to be available for two locations. The addition of a Third Spatial Energy Plan Location occurred after consultation closed.

accelerating Australia's renewable energy transition and commented on the trial's potential to reduce overall system cost.

City of Sydney, Committee for Sydney and Essential Energy identified several areas to which the trial may contribute improvements. These improvements included emissions reduction, informing future local use of services approaches to tariff design and generating highly transferable learnings to regional areas and other DNSPs. Councils submitted that they place a very high priority on achieving net zero carbon emissions from their own operations and throughout their local government areas and this trial builds on existing council initiatives with Ausgrid to reduce emissions.

Stakeholder views critical of the emissions reduction benefits included:

- Compliance Quarter stated that claims of emissions reduction benefit amounts should be reviewed. It argued that the emissions reductions claimed by Ausgrid for the proposed trial are already realised through separate environmental schemes and allowing a network business to claim monetary values on assets it does not own sets a dangerous precedent.
- Ausgrid's Customer Consultative Committee (CCC) and Network Innovation Advisory Committee (NIAC) echoed this concern and do not consider it appropriate to monetise emissions reduction and include it on the RAB. Their submission also raised concerns that the inclusion of emissions distorts the benefit calculations.
- Nexa Advisory pointed to Ausgrid customers outside of Trial Sites paying a significant portion of the cost of emissions reduction. Energy Australia, Tesla and AGL warned against monetising emissions costs through an expansion of the RAB and shifting costs to consumers. Tesla specifically noted treating system-wide societal benefits as if it were a network service leads to double counting of abatement.

## **Innovation**

Many submissions highlighted the innovative nature of the trial objectives. Several parliamentarians offered broad support of the trial to provide insights into solving equity issues in relation to CER, raise feed-in tariffs for customers, increase network utilisation, and establish an annual dividend for network customers. The Southern Sydney Regional Organisation of Councils Inc (SSROC), an association of 12 local councils in Sydney, submitted that councils place a very high priority on achieving net zero carbon emissions from their own operations and throughout their local government area. While expressing some reservations, SSROC noted the proposed trial is welcome in that it aims to promote equity of access to renewable energy from widespread solar, making use of commercial and industrial roof-space to generate power for the grid and batteries. SSROC saw as novel the trial's ability to offer this power to local residents and businesses that have been unable to access renewable energy, such as renters and those who could not afford the cost of investment in their own solar system.

Green Peak Energy agreed with Ausgrid's central premise that coordinated deployment and orchestration of DER can reduce overall system costs and share those savings with customers who traditionally are excluded from CER benefits, such as renters and apartment dwellers.

However, others queried the inherent originality and innovative nature of the trial. Tesla cautioned against allowing waivers for trials unless they are clearly innovative and distinct from BAU solutions. Some submissions referred to uncertainty as to how the trial tested Ausgrid's hypothesis on the least-cost delivery of storage.

Some stakeholders considered that the trial could impact future innovative service offerings from others. Compliance Quarter, ENGIE and others highlighted that the trial may crowd out innovation instead of supporting competitive market solutions and customer benefits in the longer term. Several stakeholders (including FlowPower, Tech Council of Australia, Evie Networks and Origin) raised concerns that the lack of competition in provision of services would reduce the pressure to innovate and lead to reduced customer choice and fewer benefits.

Energy Australia submitted that Ausgrid's proposed CPN Dividend (between \$11 and \$270) undervalues the benefits customers would obtain through the trial, and that whether any dividends are paid depends on project revenues more than offsetting its costs. Energy Australia posited its similar 'Community Battery Ease' program delivers greater financial benefits to customers unable to access CER (a guaranteed \$200) through an on-bill mechanism.

## **Contribution to the National Energy Objective**

Hunter PV considered that the outcomes of the trial align with the National Energy Objective (NEO) and community expectations, in that the trial has the potential to demonstrate a model that lowers costs, accelerates decarbonisation and enhances resilience.

Conversely, some stakeholders considered the trial to be inconsistent with the NEO. Nexa Advisory said the trial goes against the AER's objectives to ensure 'customers are better off, now and in the future', and that they pay 'no more than what is necessary' for energy. Flow Power raised that, without greater transparency and scrutiny, approving the trial would be inconsistent with the NEO and the broader framework for regulating DNSPs. Origin and Energy Australia considered the trial could reduce competition and lead to higher prices in the long term – an outcome inconsistent with the NEO.

## **Learnings**

Generating learnings for the broader market is an important part of regulatory sandboxing. Several submissions raised how this trial may generate learnings applicable to other areas.

The Clean Energy Council noted the trial may demonstrate how surplus solar might be aggregated, stored and traded to deliver lower peak-period prices, greater reliability and potentially revenue sharing.

Similarly, many submissions noted the importance of generating learnings from the trial. Ausgrid's CCC and NIAC stated that the aims, objectives and success factors of the trial must be measurable. This included the value of the dividend paid to customers, the methodology to determine an equitable dividend, the benefits of the Spatial Energy Plan and value derived from increased feed-in tariffs. Energy Consumers Australia recommended the trial take a more structured focus on learning, developing and monitoring an evaluation framework and identifying indicators of success.



Essential Energy supported annual reporting, which will help provide trial insights to all customers in NSW. AEMO also suggested reporting requirements, including close engagement on this trial to share information on the operation and impact of this trial.

Stakeholders submitted various feedback on similar projects occurring in the market. While some stakeholders were positive about the trial's potential to generate new learnings, others had concerns. UNSW noted that there are learnings in comparing outcomes of the trial to Project Edith. The trial provides an opportunity to directly compare a more technical approach with Project Edith's price-based approach to improving network utilisation. However, others considered that given similar projects currently operating within the energy market (such as Tesla's South Australian Virtual Power Plant, and the ARENA Community Battery Funding Round and the Distribution System Operator project), this trial cannot be considered innovative. Nexa Advisory considered the proposed trial is not fundamentally different to existing community batteries, Project Symphony and Project Edith. ENGIE noted that Ausgrid has previously undertaken innovative projects with private entities to realise customer benefits, such as Project Edith. The Centre for Independent Studies noted that DER orchestration has already been tested by AusNet and AEMO's Project EDGE, and several DNSPs already operate community batteries. Similar points were raised by others, including Origin, AGL, Energy Australia and Alinta Energy, who stated that this trial will not generate additional learnings, particularly in the absence of a counterfactual testing scenario.

UNSW noted concerns from stakeholders about equitable access to the Spatial Energy Plan, network tariffs and land for third-party batteries. UNSW believed the trial will test questions of whether DNSP-owned batteries may restrict financial viability of third-party batteries participating in frequency control ancillary services (FCAS) or spot markets.

Nexa Advisory also considered Ausgrid had not adequately justified its large trial size (32,000 customers) and instead suggested a trial within a smaller geographical area with fewer customers. Similarly, Origin Energy said that Ausgrid should consider hosting a smaller trial to develop similar learnings with less displacement of competition. Flow Power submitted that the 5-year timeframe would make the trial difficult to wind-up and that Ausgrid should provide more detail on why such a large and long trial is required. It argued that the AER should seek to understand if the trial can be delivered with a significantly reduced scope. Origin raised concerns that the cost and scale of the trial is significantly higher than any trial to date.

Tahu highlighted zone substations in Mascot, Botany and Charmhaven already have low uptake rooftop solar, as well as low maximum capacity utilisation between maximum demand and firm capacity, meaning that there is little network congestion at these sites. As a result, substantial savings from deferred network augmentation may be unlikely.

## **Distribution system operator**

AEMO considered the DSO role should reside with DNSPs and that aligns fundamentally with Ausgrid's trial proposal. AEMO noted any decision by the AER regarding this sandbox trial waiver application is separate to, and should not be seen to limit scope to, redefining roles for market and power system operations in the future.



In contrast, Alinta queried whether the funding Ausgrid seeks to establish a DSO (\$17.8 million, in addition to \$8 million in operating costs) is appropriate, and considered the costs sought by Ausgrid should not be as high as specified in its trial waiver application.

AGL acknowledged that Ausgrid's proposal may assist in exploring the possible roles of DNSPs and the DSO. However, it stated that the roles and responsibilities associated with the DSO are still under consideration under the Australian Government's CER Roadmap, and that allowing a DNSP to own, operate and trade assets is likely to disadvantage customers, aggregators and retailers from effectively participating. AGL considered that Ausgrid's proposal creates a fundamental conflict of interest between the DNSP/DSO and its customers via adopting a dual role as both network planner and asset owner/operator. Several other stakeholders also raised the issue of other reform and review processes and raised concerns of potential friction between this trial and other processes.

## 2.2 Consumer protections

Multiple stakeholders commented on the trial's potential to positively address equity issues. Energy Networks Australia and Senator Ross Caddell noted that customers who are unable to install rooftop solar or storage should be able to see financial benefits from the installation of DER in their network area. Green Peak Energy supported Ausgrid's central premise that coordinated deployment of CER and DER can reduce system costs and improve equity and affordability for consumers.

AGL considered Ausgrid's proposal attributes carbon-abatement value from customer solar to the network and relies on this to support premium feed-in tariffs offered under the trial. AGL noted that, with carbon prices expected to rise, this approach could lead to an implicit carbon-related charge being recovered through the RAB. AGL considered decisions about whether, and how, carbon value is redistributed to be a matter for government rather than a DNSP, and noted that allocating this value through network charges may conflict with the National Energy Equity Framework,<sup>9</sup> by disadvantaging some consumer groups.

Several stakeholders noted the need to have a clear consumer engagement plan, particularly for culturally and linguistically diverse consumers. Energy Consumers Australia and Solar Citizens recommended that all communications related to the project be translated into languages spoken in the trial areas. Energy Consumers Australia suggested the AER should have a role in approving Ausgrid's engagement plan, and that Ausgrid provide clarity on how the community engagement budget is spent. UNSW recommended that consumer engagement occur regularly throughout the trial period. The Clean Energy Council and Energy Australia also flagged the need for a consumer engagement plan, as well as transparent reporting and knowledge-sharing conditions. The Justice and Equity Centre noted that Ausgrid's process has not met the standards outlined in the AER's *Better Resets Handbook*. Ausgrid's CCC and NIAC noted they have had open and detailed engagement with Ausgrid. However, they would have liked to see broader stakeholder consultation and engagement with customers on how the dividends should be shared and how Ausgrid should measure trial success.

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<sup>9</sup> Department of Climate Change, Energy, the Environment and Water, [National Energy Equity Framework](#), accessed December 2025.

Stakeholders also emphasised the need for clear communication and detail on specific areas of the trial. Solar Citizens stated that Ausgrid must demonstrate that orchestration does not undermine the financial viability of customers already invested in CER and allows customers the freedom to select a third-party virtual power plant (VPP) or energy management provider to operate their solar and battery system. Energy Australia noted there is uncertainty over how customers would be compensated for hosting DNSP-owned assets on their private property. Energy Australia considered it is unclear how customers would be protected in their agreements with Ausgrid for the lease of their roof space and how this will be compensated in an ongoing way if Ausgrid becomes the Solar Provider of Last Resort. Origin noted that it is not clear how long the bonus solar feed-in tariff will apply. Origin considers that customers may make CER purchases based on an assumption the higher feed-in tariff will be ongoing and be financially impacted if this is not the case.

Some stakeholders raised concerns about customers not being able to opt out of the trial. The Centre for Independent Studies considered that Ausgrid has failed to show that opt out is not feasible. UNSW recommended Ausgrid make the trial optional to ensure no customer is made worse off by feeling they have lost autonomy. Other stakeholders such as the Committee for Sydney were comfortable with default participation with robust protections, such as ensuring customers retain device-specific control.

As for the CPN Dividend, some stakeholders raised concerns that the details and mechanism of the dividend distribution remain unclear, making the overall impact uncertain. Some stakeholders mentioned the lack of clarity on the dividend methodology and the potential for unfair cross subsidisation by Ausgrid customers who are based outside of the Trial Sites. This latter concern was based on the proposal that trial costs would be recovered from Ausgrid's customers through the regulatory asset base. Tesla posited that unless external funding is secured, customers outside the trial could pay approximately 40% of the costs of the trial, without receiving a benefit. Further concerns included the distribution method and the practicalities of retailers passing on the dividend, especially for renters and embedded network residents, as well as the practicalities of retailers passing through the dividend payment.

## 2.3 Competition impacts

Several stakeholders raised competition as a key issue. Multiple stakeholders, including Origin, AGL, Enel X and ENGIE, raised concerns around competitive advantage, information asymmetries, and the potential for anti-competitive behaviours.

Multiple stakeholders raised concerns that Ausgrid intends to offer a bespoke network tariff that is only available to Ausgrid-owned batteries. Nexa Advisory raised that if the bespoke network tariff was not available for commercial batteries, DNSP-led versus market-led outcomes cannot be measured. Enel X raised concerns that others would not have access to a tariff that Ausgrid claims makes the trial viable. Origin considered that lower network tariffs provide an unfair advantage over commercial providers and will likely overstate customer benefits of the project.

Origin also noted that reduced competitive pressure in this market would limit innovation or product differentiation, resulting in higher prices for consumers. ENGIE, Origin and AGL raised concerns that, as a DNSP, Ausgrid possesses information not available to others, creating information asymmetries. Nexa Advisory noted the Spatial Energy Plan should be

updated more often than annually to limit competition risks. The Centre for Independent Studies raised that despite increased network visibility from the Spatial Energy Plan, Ausgrid withholding commercial-in-confidence data would provide Ausgrid a competitive advantage over commercial entities. Nexa Advisory, AGL, Ausgrid's CCC and NIAC, and Energy Australia also raised concerns about confidential modelling and dividend transparency. UNSW suggested Ausgrid release data showing potential positives in network utilisation so that it may be subject to public scrutiny. Nexa Advisory noted the delivery of the customer dividend relies on agreements with retailers. This may hinder the ability for customers within Trial Sites to switch retailers.

The National Electrical Communications Association was concerned that Ausgrid has a perverse incentive to recommend and preference its own ring-fenced entity PLUS ES. Similarly, Compliance Quarter suggested the trial may crowd out innovation, distort competitive markets and discourage private investment.

Origin Energy stated that there is already healthy competition in the CER and battery energy storage systems market, which in comparison to DNSP ownership, provides customers with greater choice. This creates a risk that Ausgrid will disrupt these already developed competitive markets, leading to higher prices and reduced customer choice. The Australian Energy Council stated that the scale of the proposed trial and the automatic opt-in of customers is likely to crowd out market-led solutions.

The Tech Council flagged concerns with the trial potentially sending anti-competitive signals. Similarly, Tesla sees the regulatory sandbox at risk of becoming a vehicle for DNSP monopoly expansion rather than a testbed for consumer benefit.

## **2.4 System and safety impacts**

In workshops, stakeholders discussed that the proposed Trial Sites have multiple connections to the NEM; therefore, they are not at large risk of resilience issues. Solar Citizens suggested ensuring the trial included an islanding component, allowing batteries to operate offline to ensure blackout 'resistance'. Solar Citizens also commented that Ausgrid should remove solar export limits within Trial Sites and establish dynamic operating envelopes in those areas instead, which provide for upper and lower limits on import and export of CER over time and location, allowing for flexible load shifting.

Overall, AEMO did not identify any adverse effect of material concern on AEMO's operation and/or administration of the NEM. AEMO noted it would value the opportunity to work with Ausgrid as it develops the design and proposed operation of the battery fleets to ensure any potential power system risks are understood and managed. AEMO noted the following:

- While each of Ausgrid's standalone batteries are potentially automatically exempt from registration due to their small size, in aggregate a nameplate rating of approximately 65 MW within 2 concentrated geographical areas may have significant local network operation impacts.
- The visibility and predictability of Ausgrid's coordinated battery fleet (particularly given the estimated size) is important to AEMO for operating the market and maintaining system security and reliability.

- AEMO encouraged Ausgrid to consider classifying some or all battery resources as Voluntary Scheduled Resources to enhance system visibility and operational coordination.
- AEMO expects that its revised version of its *Guide to Registration Exemptions and Production Unit Classifications (Registration Guide)*, likely to be in place by the time battery installations commence, would be applied to the trial.
- Ausgrid must appoint a Financially Responsible Market Participant to access any registration exemptions and suggested Ausgrid undertake this promptly.
- A new voluntary guideline on technical requirements for 200 kW to 5 MW DER connections was published on 25 November 2025.

## 3 Assessment of waiver

### 3.1 Benefits we want to test in the trial

Ausgrid anticipates that coordinated operation of rooftop solar and network batteries will support evening peak reductions, improve capacity and utilisation of the local network and potentially defer future network investment. It also expects the trial to create opportunities for customers without CER to share in local renewable generation and value through a dividend payment. The dividend is intended to extend CER-related benefits to renters, apartment dwellers and others with limited ability to install their own systems, which will address customer equity challenges and accelerate the transition to a decarbonised energy system. Ausgrid further considers that commercial and industrial rooftop solar may increase under the proposed model, with the trial helping address installation and connection barriers by providing financial incentives to commercial sites that may have limited uptake to date.

Alongside these intended benefits, the AER is focused on the learnings the trial can provide about how coordinated CER deployment and operation could work in practice. This trial creates a controlled environment in which we can observe how DNSP-led orchestration affects the use of CER, network utilisation and reduced emissions. It also allows exploration of the current coordination problem in the NEM, where deployment of DER does not always occur in the locations that would deliver the most value to the system. By placing and operating assets more efficiently, the trial may provide insights into pathways that could lower long-term costs for all consumers.

The trial also provides us with an opportunity to better understand whether DNSPs could play a constructive role in accelerating CER deployment, including at commercial and industrial sites. These businesses typically install solar only to meet their own consumption and do not size systems to generate additional local value. Under the trial, Ausgrid proposes to identify larger commercial and industrial roofs with potential to support both business use and local grid needs and work with owners to facilitate installation. Historically, these types of businesses have not adopted rooftop solar at the same pace as households and independent analysis shows that commercial and industrial solar uptake has lagged due to tenancy arrangements and commercial constraints (such as payback periods and network connection processes),<sup>10</sup> and the trial provides an opportunity to assess whether a coordinated model could alter these outcomes.

The AER is also interested to understand whether the trial could make use of batteries in a way that potentially captures a wider range of benefits, maximising the value achievable from a single asset. By using batteries to provide different services, and generate multiple revenue streams, this may improve the value proposition of these batteries and their overall efficiency. This may also potentially delay or avoid new investment across the energy supply chain. This trial will test if these assets can simultaneously reduce network costs (which will benefit all consumers) and how any new value can be shared to support a more equitable transition and lower long-term costs.

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<sup>10</sup> Nexa Advisory, [Untapped Potential of Commercial & Industrial Energy Resources in the NEM](#), 16 September 2025.

The trial also provides a chance to examine the extent to which CER can be deployed and used to create network capacity to support increasing electrification demand and new connections. A central feature of the trial is Ausgrid's Spatial Energy Plan. Ausgrid describes this as a living, regularly updated map of every connection point in the trial area, showing where solar, batteries, EV chargers and other major loads are located and forecasting how these will change over time under alternative uptake scenarios. The plan draws on NMI-level data and uses AI-based profiling to identify where network hosting capacity limits exist, where rooftop solar could be expanded and where batteries could be installed to support surplus energy or manage local network constraints. This plan will be developed for the 2 Trial Sites and an additional third location (the Third Spatial Energy Plan Location). The Third Spatial Energy Plan Location was incorporated into the trial in response to stakeholder feedback. The data generated from this plan is intended to benefit service providers in the competitive market to install and coordinate DER.

For the AER, this offers a structured way to observe how detailed spatial information affects CER deployment decisions for both networks and service providers in the competitive market. This plan will provide Ausgrid with feeder-level visibility of constraints and opportunities, down to the voltage and balancing limits of individual circuits. This allows distributed resources to be targeted to locations where they can relieve pressure on the network, avoiding future upgrades. As the plan evolves throughout the trial, it will show how local conditions change as more distributed resources are added, whether constraints emerge or ease and how responsive the model is to these changes. We expect this to generate important learnings about how shared access to granular network data influences both DNSP decisions and the behaviour of customers and installers when considering new CER connections. The inclusion of a Third Spatial Energy Plan Location also strengthens the trial by providing a point of comparison and helping to test alternative orchestration models.

The distribution of a CPN dividend to customers, especially those without their own DER, is a key innovation. It will test how distribution networks may better use assets to reduce costs to consumers both now and into the future. It may also support consumers who are unable to benefit from CER due to lack of access to financial or other resources or other barriers, such as renting or living in apartments. This element has the potential to improve access to DER as well as reduce overall network costs for all. Ausgrid will also engage closely with UNSW to assess the outcomes of the trial, including consumer impacts, sentiment, and behaviours, to be explored by the social science research proposed by UNSW. Although noting some stakeholder concerns that this work is not yet finalised, the AER considers the research program a learning in itself. How consumers engage in these decisions and how sentiment may change over time will provide important insights for future energy sector reform.

The AER considers that the trial may also deliver some localised benefits, including a potential reduction in system-wide investment if energy is generated and consumed locally. This creates conditions to test whether coordinated DER can improve utilisation of the distribution network. Durable network efficiency requires reductions in total system costs, such as avoided or deferred augmentation. The trial will help determine the extent to which these simulated value flows translate into genuine, durable reductions in system costs.

The AER has included extensive reporting conditions as part of the trial waiver to ensure the trial generates meaningful learnings and that these are shared broadly among consumers, networks and industry participants. The 2 trial learnings reports (to be delivered at the end of 2027 and the end of the trial) will be shared publicly for the benefit of the whole sector. Similarly, where possible the AER will also share data on the rollout to the broader market. These conditions give both the AER and the broader sector visibility of how CER and batteries are deployed, how quickly connections occur, how customers experience the process and whether issues arise for trial participants or the competitive market. This allows the AER to see how the model performs under real-world conditions, identify where coordination delivers value and understand the practical barriers that might remain. The information gathered through these reporting conditions will be used to track whether the trial is improving access, reducing costs or creating new forms of value that can be shared.

By requiring Ausgrid to publish and regularly update the Spatial Energy Plan for the Trial Sites and the additional location, the trial will also show whether greater transparency improves CER siting and use. The reporting conditions also help create a level playing field by ensuring retailers and other service providers have visibility of the same information and can raise concerns early if access or timing issues emerge. Therefore, the reporting framework helps shape how the trial functions by setting clear expectations of openness, comparability and accountability.

## **3.2 Consumer protections**

Stakeholders raised concerns about how the trial might affect consumers, particularly those who are not participating directly. Many of these concerns related to how Ausgrid would engage with local communities and how customers would be informed about the trial's purpose, benefits and risks. As Ausgrid is no longer seeking a waiver to reopen its 2024–29 revenue determination to fund a large portion of the trial cost, several of the broader concerns about the impacts on energy costs for customers outside the trial areas have been mitigated. However, stakeholders also highlighted the need for clearer communication and accessible information throughout the rollout. Some stakeholders also compared stakeholder engagement to that undertaken through distribution revenue resets. However, the AER considers that the engagement threshold for resets is necessarily greater than that for a trial waiver. To address these matters, the AER has included an expectation that Ausgrid prepare a detailed consultation plan. This plan is expected to outline how key information about the trial will be made available, how diverse consumer groups will be engaged and what dispute resolution processes will apply. These engagement expectations are intended to give customers confidence in the trial, support informed participation and ensure issues are identified early.

The AER also considered concerns about how the trial dividend will be paid. Retailers have not agreed to facilitate the payment mechanism at this stage and stakeholders pointed to uncertainty about eligibility, how much consumers would receive and what steps they would need to take to access payments. Without a clear process, some consumers may face additional effort or administrative burden, particularly if they need to deal directly with Ausgrid. To address this, the AER has included an expectation that the dividend mechanism be finalised by the end of the second year of the trial, with the first payments made to customers within 6 months of this date. Where retailers cannot facilitate the payment process, Ausgrid will be expected to identify alternative ways to distribute payments at the



lowest possible cost to consumers, with costs recovered only from trial revenue. These expectations aim to reduce customer uncertainty and provide clearer timeframes for how and when benefits will be shared.

To complement these expectations, the AER has included specific reporting conditions focused on consumer experience. Ausgrid must provide de-identified quarterly updates on consumer and industry complaints, including the nature of issues raised and the time taken to resolve them. This will allow the AER to monitor emerging concerns, assess whether engagement approaches are effective and identify any risks that may require intervention.

Some stakeholders also raised the inability for customers to opt out of the trial. The AER's general position is that customers should be able to opt out of trials, although there may be circumstances where it is not practicable. In this case, customers can choose to not participate by declining to enter power purchase agreements with Ausgrid. Additionally, customers will not be disadvantaged by dividend payments, which will never be less than zero. On this basis, the residual opt-out limitations are not considered a material consumer risk.

### **3.3 Competition impacts**

During consultation, some stakeholders raised concerns about how the trial could affect competition, particularly in relation to network tariff treatment. Ausgrid clarified that trial batteries will be assigned the same low voltage storage tariffs (EA334 and EA335) that are available to eligible commercial battery customers. This clarification helps ensure a level playing field by preventing preferential tariff treatment for DNSP-owned assets and reducing the risk that competitors are disadvantaged.

The AER has also considered the competitive implications of how CER is deployed and connected within the trial areas. To support transparency, Ausgrid must report on the relative costs, terms and connection timings for all Trial Sites, including third-party connections. This reporting will show whether DNSP-led deployment is creating delays or advantages not available to service providers in the competitive market and will allow the AER to intervene if any patterns of discrimination emerge.

Stakeholders also highlighted concerns about installer access and the potential for DNSP involvement to disrupt competitive tendering. The AER has imposed a condition requiring equal terms of access for service providers in the competitive market and Ausgrid at the Third Spatial Energy Plan Location, and a condition requiring a competitive tender for Ausgrid's own asset installation and procurement. The AER will also monitor this through quarterly reports on battery and solar installations and the procurement of third-party installers. This will give visibility over whether service providers in the competitive market are able to operate on fair terms within the trial area and whether DNSP involvement is affecting installer choice or price.

The Spatial Energy Plan for the two Trial Sites and the Third Spatial Energy Plan Location contributes to competitive outcomes by improving visibility of where CER can be most effectively deployed. As this information can be used by service providers in the competitive market as well as Ausgrid, the AER expects it to support more informed participation rather than restrict it. The inclusion of a Third Spatial Energy Plan Location also provides a point of



comparison, enabling learnings about how a more open information environment affects market-led approaches relative to DNSP-led deployment.

To address concerns about DNSP ownership of solar capacity, the AER has included an expectation that Ausgrid make all reasonable efforts to procure solar capacity from the private market. Only where Ausgrid can demonstrate market failure would it step in as a supplier of last resort, and this would need to be evidenced to the AER. This expectation is intended to preserve opportunities for service providers in the competitive market and prevent unnecessary expansion of DNSP-owned CER.

Overall, the AER considers the trial's competitive impacts to be manageable. The trial is time limited and geographically constrained, and the reporting and transparency conditions provide safeguards against discrimination, preferential treatment or foreclosure of market opportunities. The AER will monitor Ausgrid's compliance with the waiver conditions throughout the rollout and investigate any evidenced concerns. These arrangements aim to balance the benefits of a tightly coordinated trial with the need to maintain fair competition and ensure that learnings from the trial can inform both DNSP-led and market-led models in future.

This trial waiver does not change Ausgrid's obligations to comply with ring-fencing and other regulatory obligations outside the narrow scope and area allowed under this trial waiver. If any evidence of ring-fencing breaches is identified, the AER retains the right under cl. 8.18.2(i) of the NER and our Trial Projects Guidelines to terminate a trial waiver for breaches of other obligations under the national energy laws, rules or regulations.

### **3.4 System and safety impacts**

The trial is unlikely to have any material adverse effect on the safety and reliability of the network. Any changes in stability are expected to be minor and within acceptable limits for a trial environment. Installations undertaken early in the rollout may create short-term variability as new CER connects to the network. For example, Ausgrid's application notes that parts of the Charmhaven area already experience midday reverse power flows due to high rooftop solar output and trial installations may initially worsen these flows before improving them. In their view, these temporary effects are expected and manageable within the scope of the trial.

The level of CER to be installed is significant, but this is central to the policy intent of the sandbox. The trial is designed to test how DNSP-coordinated deployment and orchestration work at scale and whether this can deliver outcomes that are measurable and relevant to future market settings. All technologies proposed for installation are already used elsewhere in the NEM and the safety risks associated with DNSP-owned CER are no different from those associated with commercially owned assets. Ausgrid must also continue to comply with all existing AEMO and safety requirements.

Ausgrid will carry out the trial within its established risk management framework and minimise operational risks through established processes, including the use of qualified contractors and adherence to Ausgrid's External Partner Code of Conduct. These requirements apply regardless of ownership of the trial assets being installed.

To maintain oversight of safety throughout the trial, the AER requires Ausgrid to notify it of any safety-related issues within 2 business days. This aligns with existing notification requirements that Ausgrid has in place with AEMO. The AER has also included a condition requiring Ausgrid to work proactively with AEMO on any matters related to system operation or stability during the trial. This includes engaging early on any emerging risks and agreeing on what information needs to be provided during the trial. These requirements ensure that any safety or system issues identified during the trial are addressed promptly and that the trial always operates within appropriate system limits.

### 3.5 Ending the trial

The AER may revoke a trial waiver early.<sup>11</sup> As set out in the Trial Projects Guidelines, this may occur for several reasons, including where evidence shows non-compliance with other obligations under the NEL, NER or National Electricity Regulations.<sup>12</sup> The waiver applies only to the specific activities approved for this trial and all other existing obligations continue to apply throughout. Market participants are expected to comply fully with those obligations irrespective of the trial.

The AER has included a condition to this trial that, at trial end, Ausgrid will need to determine the future of the assets installed under the waiver. As outlined in this condition, Ausgrid may seek a ring-fencing waiver to continue owning and operating the trial assets, may sell the core assets of the trial to a third party, or may seek approval for a change in service classification for the trial assets so that the project can continue across Ausgrid's next revenue determination period (2029–34). Any such classification change would require separate AER approval and is not assumed in this decision.

Alternatively, Ausgrid may sell the assets and must use the sale proceeds to offset or repay the value of any assets that were included in the RAB (if any are attributed there by Ausgrid mid-period). In discussions with the AER, Ausgrid has committed to absorb any shortfall between the assets' sale value at the end of the trial and their remaining value for regulatory purposes. At the start of the next reset determination, Ausgrid may seek a change to service classification that allows the trial to be supported and scaled. This will be considered by the AER at that time. Together, this condition ensures that customers are not disadvantaged by the treatment of assets once the trial ends.

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<sup>11</sup> NEL clause 18ZS and NER 8.18.2.

<sup>12</sup> Department of Climate Change, Energy, the Environment and Water, <https://www.energy.gov.au/energy-and-climate-change-ministerial-council/working-groups/electricity-working-group/national-energy-equity-framework>, accessed December 2025.

## 4 Waiver decision

Our decision is to grant the waiver to Ausgrid from clause 6.17.1 of the NER for a period of 5 years, subject to conditions and the standard disclaimers that are outlined below. The waiver applies to the Trial Sites.

The trial will commence one week (7 days) after a final investment decision is made by Ausgrid to proceed with the trial having confirmed its funding arrangements (the Start Date). Ausgrid must notify the AER of this date no later than 2 business days after it has made its final investment decision. Until this day, the ring-fencing guidelines will apply as normal.

### 4.1 Conditions

As provided in section 18ZM of the NEL, the AER may impose any conditions we consider appropriate for the trial. This allows the AER to impose conditions to ensure issues raised through public consultation are addressed, ensuring the trial maximises the learnings for the market, while also ensuring other requirements are met. Section 18ZR of the NEL requires that a trial waiver proponent must comply with any conditions to which the trial waiver is subject, and if the proponent breaches a condition the AER may revoke the trial waiver or revoke or vary the condition, or impose further conditions on the trial waiver.<sup>13</sup>

#### 1 Comply with remaining procedural obligations

This waiver is only granted in relation to the installation, operation and trading of identified trial energy storage devices (batteries) and generation (solar) installations within the Trial Sites, for a period of 5 years, subject to the conditions in this section. The waiver only applies to the requirements in clauses 3.1, 4.2.1, 4.2.2 and 4.2.3 of the *Ring-fencing guideline (electricity distribution) 2025* (Ring-fencing Guideline) to the extent these provisions prohibit the conduct described in the trial waiver application. As a condition of this waiver, Ausgrid is required to comply with all other requirements of the Ring-fencing Guideline with respect to the Trial Sites and Ausgrid's operation of its network outside of the Trial Sites.

This waiver provides relief from clause 6.17.1, which requires compliance with the Ring-fencing Guideline authorised under clause 6.17.2 only to the extent that this Guideline prohibits the conduct outlined in the trial waiver application. In all other regards, the Guideline is reinstated.

#### 2 Requirement for a Third Spatial Energy Plan Location

Ausgrid must publish the Spatial Energy Plan to include the Third Spatial Energy Plan Location, which is not subject to this waiver, for the benefit of the commercial market to engage with to install and coordinate DER. Ausgrid must also take all reasonable steps to ensure there is a level playing field for the commercial market to participate at this location,

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<sup>13</sup> The AER's framework for monitoring and ensuring compliance with conditions on a trial waiver is set out in the AER's Trial Projects Guidelines on page 21, and is explained in the Trial Projects Guidelines Explanatory Statement at pages 26 – 27.

offering connections to third parties on the same or similar terms it is factoring in for itself at the existing two Trial Sites. This includes, and is not limited to, ensuring the following:

#### **Site conditions**

Ausgrid to specify a Third Spatial Energy Plan Location that provides a comparable equivalent to the two already identified Trial Sites in terms of:

- Consumer numbers
- A diversity of residential / consumer & industrial consumers
- Existing network constraints and opportunities (including availability of sites with capacity to host DER)

#### **Network settings for third site**

Ausgrid must operate the network at the Third Spatial Energy Plan Location, and offer the same tariff arrangements at this site, in the same way as it does at the two Trial Sites. This includes:

- The offer of:
  - trial Local Use of Systems tariffs (EA956 and EA955) to eligible residential and small business customers (allocated through financially responsible market participants or otherwise), and
  - equivalent LV storage tariffs (EA334 and EA335) to those assigned to Ausgrid owned batteries for commercially operated batteries and other storage installed, and equivalent tariffs under future resets as elected by Ausgrid to apply to its own assets at the two Trial Sites.
- The offer of the same export and battery tariffs, both behind and in front of meter.
- Utilisation of DER to optimise voltage management and provide other network services.
- Connection Fees and Charges (which are installed in accordance with the opportunities identified in the Spatial Energy Plan) being equivalent to what Ausgrid has accounted for itself at the two Trial Sites.
- Timing of connection requests for assets (which are installed in accordance with the opportunities identified in the Spatial Energy Plan) being equivalent to what Ausgrid has accounted for itself at the two Trial Sites.

### **3 Reporting**

All reporting is required to be published by Ausgrid on its website, with the AER notified in writing by email within 2 business days of publication. All personal information should be de-identified prior to publication. The AER may also publish reports on the Energy Innovation Toolkit website.

Reporting conditions are important to allow the value of learnings to be captured and shared with the market, and to aid future policy formulation. These regular reports will allow the AER to monitor progress of the rollout, and have visibility of complaints, emerging issues, and key learnings.

Project phase	Type	Metric	Objective
<b>Prior to trial commencement (by no later than the date at which Ausgrid notifies the AER of the start date)</b>	Confidential costings and connection times	Ausgrid must provide to the AER details of the costs and connection timings of its own connection of assets to its network at the two existing Trial Sites. This information will be processed by the AER to develop costing and timing requirements for connections at the Third Spatial Energy Plan Location.	Provides a baseline for the AER to compare future reports to.
<b>Ongoing (within 2 business days of the occurrence of a safety issue)</b>	Safety issues (all sites including the Third Spatial Energy Plan Location)	Any safety issues relating to the trial to be reported to the AER via email.	Ensures timely notification of potential harmful issues.
<b>Project roll-out (first 2 years of trial)</b>  <b>Quarterly from trial start date (within 10 business days of quarter end, for data relating to that quarter)</b>	Consumer and industry complaints (all sites including the Third Spatial Energy Plan Location)	<ul style="list-style-type: none"> <li>De-identified consumer and industry complaint information, including the issue and how this was/will be rectified</li> <li>Time taken to resolve</li> </ul>	<p>Allows the AER to monitor project progress and any emerging issues relating to asset installation or engagement with consumers during this time.</p> <p>Confidential information provided to the AER will only be used for compliance assessment and in accordance with the <a href="#">ACCC/AER Information Policy</a>.</p>
	Roll-out status	<ul style="list-style-type: none"> <li>Battery capacity installed (all sites including the Third Spatial Energy Plan Location)</li> <li>Solar capacity installed (all sites including the Third Spatial Energy Plan Location)</li> <li>Dividend payments made to consumers (Trial Sites)</li> <li>Consumer engagement undertaken (Trial Sites)</li> </ul>	
	Tendering and procurement of	<ul style="list-style-type: none"> <li>Number of bids received, and the number of bids accepted by Ausgrid (and where and why bids have not been accepted).</li> </ul>	

Project phase	Type	Metric	Objective
	third-party solar installers (Trial Sites)	<ul style="list-style-type: none"> <li>What the average feed-in tariff is for accepted bids, and what amount has been drawn down from the total pool of customer benefits to date for third-party solar installers through feed-in tariffs.</li> </ul>	
	Connection agreements and complaints / issues (Third Spatial Energy Plan Location only)	<ul style="list-style-type: none"> <li>Names of contracting parties</li> <li>Terms of access to the network provided (including costs and time to connect)</li> <li>Number of complaints, how the issues were/are being resolved</li> <li>Time taken to resolve complaint/issue</li> </ul>	
<b>Trial check in: End of 2027 and end of trial</b>	<p>Ausgrid must contract an independent party to conduct two research reports</p> <p>(all sites including the Third Spatial Energy Plan Location, except where noted otherwise)</p>	<ul style="list-style-type: none"> <li>Using metrics listed in the annual reporting to be included, plus any other metrics and analysis identified by the independent party or Ausgrid.</li> <li>Detailed summary of learnings from trial, including collated information provided in annual reports. This should be in the format and to the standards prescribed in the <a href="#">ARENA Knowledge Sharing Guideline</a>.</li> <li>Quantified benefits derived from assets, including the estimated benefits of improved network utilisation and how this compares to historical values.</li> <li>Cumulative value of the CPN Dividend benefits and amount paid to consumers (Trial Sites only).</li> <li>Demonstration of value-stacking of batteries and the associated revenue streams, including: <ul style="list-style-type: none"> <li>Value of network services (such as FCAS, grid stabilisation, inertia or other services)</li> <li>Details of when batteries inverters were grid forming or grid following and any benefits/revenues associated with this (Trial Sites only).</li> </ul> </li> <li>Identify savings to capex, improvement of services.</li> </ul>	<p>Summary of trial progress</p> <p>Independent report to be published by Ausgrid on its website and provided to the AER.</p> <p>Mid-way report will also allow for the identification of potential areas of concern or emerging issues. It will also generate some initial learnings on the uptake and delivery progress between the two approaches.</p> <p>The end of trial report is more focused on the learnings and generated benefits.</p>

Project phase	Type	Metric	Objective
		<ul style="list-style-type: none"> <li>• Value of learnings from the Third Spatial Energy Plan Location – uptake on available locations, time taken to connect, number of customers serviced as part of VPP.</li> <li>• Export curtailment that has occurred.</li> <li>• Summary of any reports to AEMO on the design, technical standards and orchestration approach.</li> <li>• Equity and affordability metrics.</li> <li>• Outcomes for consumers including quantified benefits and specifically those distributed to consumers, reduced network augmentation and how these deliver reduced whole of system costs for consumers.</li> <li>• Any reports provided by UNSW and/or RACE for 2030 including on consumer sentiment by providing copies to the AER and publishing de-identified results online on Ausgrid's website.</li> </ul>	



#### **4 Publishing of Spatial Energy Plan**

Ausgrid must publish a Spatial Energy Plan for Trial Sites and the Third Spatial Energy Plan Location, every six months after the trial start date on their website and notify the AER within 2 business days after publication. Ausgrid must take all reasonable steps to ensure the data in the Spatial Energy Plan is usable, clear, accurate and of benefit to the broader market. Of particular interest are constraints and other assets which may impact the local network, such as EV chargers, peak demand diversity mix and behind-the-meter batteries.

Ausgrid must publish a list of capacity remaining on the Spatial Energy Plan every other six months, offset by three months from the re-release of the Spatial Energy Plan, to allow competitive market users to understand what opportunities remain active and which sites have been subject to connection bids or agreements already. The publication of these must occur within 10 business days of the end of the last month of data included in the plan.

#### **5 System operation**

Ausgrid must proactively engage with AEMO in respect to any requirements that come into effect during the trial period and promptly implement any necessary changes to ensure ongoing compliance. Such matters may include (but are not limited to):

- AEMO's *DNSP Guideline - Technical Requirements for sub 5 MW DER Connections* the registration of assets as Voluntarily Scheduled Resources to provide AEMO and the market with forward pre-dispatch visibility of these resources
- any outcomes following completion of the National Electricity Market Wholesale Market Settings Review.

Prior to the commencement of the trial, Ausgrid will engage with AEMO to agree on the scope, format and frequency of information Ausgrid must provide AEMO during the trial. Where an aspect of the Trial presents a (potential) risk to the power system, Ausgrid will engage with AEMO as soon as practicable to mitigate these (potential) risks.

#### **6 Exit strategy**

At the conclusion of the trial, Ausgrid must undertake the necessary steps to ensure it complies with all relevant requirements under the NEL and NER. As this regulatory sandboxing trial waiver is from the ring-fencing obligations for a period of 5 years, at the end of the trial Ausgrid will:

- seek a new ring-fencing waiver from the AER to continue operation of the trial assets; or
- offer the assets to contestable providers through an arm's length transaction; or
- request at the start of the next reset determination for a change to service classification that allows this trial to be supported and scaled in the 2029–2034 regulatory reset period, to be considered by the AER in its discretion at that time.

#### **7 Competitive tendering**

Ausgrid must engage with the commercial market to provide the commercial aspects of its trial (including battery installation and procurement of any solar or battery assets). A tendering process must be undertaken by Ausgrid and the outcome reported to the AER on the successful tenderers within 15 business days of a contract being entered into.



## 4.2 Trial monitoring and conduct

Following the granting of a trial waiver, the AER also has a role in monitoring the progress and reporting on and communicating the outcomes of the trial. The AER has the power to impose any conditions on a trial waiver, and a proponent must comply with any condition, otherwise the AER may revoke or vary the waiver, such as imposing further conditions. Section 5 of our Trial Projects Guidelines outlines how we will oversee the conduct and outcomes of trial projects. This includes, among other things, receiving progress reports to ensure that the proponent is compliant with the trial waiver conditions. These reports will be made public, in line with our Trial Projects Guidelines.

Where there are concerns regarding the conduct of Ausgrid in relation to the commercial sector, these concerns should be raised with the AER for consideration. Where there are concerns about the conduct or other risks that emerge through the trial, the AER can consider a variation or other action regarding the trial waiver as well as compliance action in relation to potential breaches of the Ring-fencing Guideline.

## 4.3 Expectations

The AER has heard stakeholders' feedback on key aspects of this trial. The AER has outlined expectations of how Ausgrid will approach certain issues.

### **Stakeholder engagement**

We expect Ausgrid to develop a detailed consultation plan, including:

- a webpage providing key details of the trial
- how it will engage with diverse consumer groups, including vulnerable consumers or those from culturally and linguistically diverse (CALD) backgrounds, including translations of key materials into languages appropriate for the area
- a dispute resolution and complaints processes.

### **CPN dividend**

We expect the mechanism for the dividend to be finalised by the end of the second year of the trial, with the first payments made to customers within 6 months of this date.

Where retailers cannot facilitate the payment process, Ausgrid will be expected to identify alternative ways to distribute payments at the lowest possible cost to consumers, with costs recovered only from trial revenue. These expectations aim to reduce customer uncertainty and provide clearer timeframes for how and when benefits will be shared.

### **Feed in tariff and solar provider of last resort**

Ausgrid is expected to make all reasonable efforts to procure solar capacity from the private sector. If it is likely to need to step in as the solar provider of last resort, Ausgrid is expected to notify the AER and provide evidence of market failure.

## **Trial disclaimer**

The terms below which are used in the disclaimer, have the following meanings:

**Proponent** means the party/parties benefitting from the Trial Waiver.

**Trial** means the project undertaken in accordance with the Trial Waiver for the duration and limited to the scope of that advised to the AER for the purpose of granting the Trial Waiver.

**Trial Waiver** has the same meaning as sections 18ZL(1) of the NEL, 30W(1) of the NGL and 121C(1) of the NERL.

**AER** means the Australian Energy Regulator.

**By accepting** the Trial Waiver, the Proponent acknowledges that:

1. To the extent that is lawful, the AER by granting this Trial Waiver is not responsible or liable for any loss suffered by any party, including third parties, resulting from or related to the Trial.
2. The AER makes no representations as to the likely success or failure of the Trial and the Proponent remains responsible at all times for the operation of the Trial. In granting a Trial Waiver, the AER is making no statement about, advising or commenting in any way, on the commercial viability of the Trial.
3. The Proponent must not describe its propositions as “AER approved” or otherwise imply in any way that the AER endorses its product, service, methodology or business model.
4. The Proponent at all times remains bound by all other laws, rules and regulations not expressly the subject of the Trial Waiver.
5. The Proponent is responsible for the effective and lawful operation of the Trial in accordance with the terms of the Trial Waiver and as proposed by the Proponent in its application to the AER for a Trial Waiver. The AER has no direct involvement in the Trial beyond the granting of the Trial Waiver and the monitoring of any reporting (if required under the Trial Waiver).
6. The AER, in granting this Trial Waiver, makes no comment or commitment, with regard to any further consideration of this Trial Waiver (e.g. early termination; reconsideration of the conditions which apply to the Trial Waiver).
7. The AER, in granting this Trial Waiver, makes no comment or commitment, with regard to any further applications regarding this Trial Waiver (e.g. an application for extension of the Trial Waiver).
8. To the extent that is lawful, the AER is not responsible for any loss suffered by the Proponent or a third party arising from any action, or inaction, by the AER in the course of the Trial, including through Trial monitoring activities.
9. The Proponent must not misrepresent the information, guidance or regulatory relief given to the Proponent by the AER.

# **Attachment A:**

## **Regulatory sandboxing eligibility requirements, innovative trial principles and policy-led sandboxing principles**

### **Eligibility requirements under the Energy Rules**

- Whether the carrying out and monitoring of the trial project is likely to contribute to the development of regulatory and industry experience.
- Whether the trial project may have an adverse effect on the safety, reliability or security of supply of energy and the measures that the proponent will take to avoid or mitigate such risks.
- Whether the trial project may have an adverse effect on AEMO's operation and/or administration of the power system, the market, the declared distribution systems and declared transmission system for gas or markets for natural gas and the measures that the proponent will take to avoid or mitigate such adverse effects.
- Whether the extent and nature of the trial project confidential information claimed by the proponent may impair:
  - the AER's ability to provide appropriate public transparency in relation to the conduct and outcomes of trial projects, or
  - the appropriate development of regulatory and industry experience arising from the trial project.

### **Innovative trial principles under the Energy Laws**

- Whether the trial project is focused on developing new or materially improved:
  - approaches to the use or supply of, or demand for, electricity
  - customer connection services or customer retail services
  - natural gas services.
- Whether the trial project is likely to contribute to the achievement of the national energy objectives.
- Whether the trial project is able to demonstrate a reasonable prospect of giving rise to materially improved services and outcomes for consumers of energy.
- Whether the trial project maintains adequate consumer protections, including whether the trial project may involve risks to consumers and (if so), how those risks might be mitigated.
- Whether the trial project is unable to proceed under the existing regulatory framework.
- Whether the trial project has moved beyond research and development stages but is not yet established, or of sufficient maturity, size or otherwise commercially ready, to attract investment.
- Whether the trial project may negatively impact AEMO's operation of the national energy systems and national energy markets or AEMO's facilitation of customer connection

services and customer retail services and, if there are impacts, how those impacts can be mitigated.

- Whether the trial project may impact on competition in a competitive sector of a national energy market.

### **Innovative trial principles under the Energy Regulations**

- Whether the trial project is able to be trialled and evaluated.
- Whether there is potential for the trial project to be successfully expanded.
- Whether the trial project will provide for public sharing of knowledge, information and data resulting from the trial project.

### **Policy-led sandboxing**

As part of the policy-led sandboxing approach, the AER indicated we are interested in trials that could help explore the following questions:

- What types of relationships/ownership models could better enable access/deployment/orchestration?
- How might benefits of deployment/orchestration be valued and value accrued/distributed to deliver least-cost system?
- Which models build consumer trust and social licence?

We also articulated a range of principles to help guide design and evaluation of trials that respond to these questions:

- equitable access to CER/DER
- facilitating deployment and orchestration
- lowest whole-of-system cost
- meeting consumer needs
- scalability and replicability
- system challenges.