

Australian Energy Regulator  
GPO Box 3131  
Canberra ACT 26010

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**By Email:** [regulatorysandbox@aer.gov.au](mailto:regulatorysandbox@aer.gov.au)

Dear AER Regulatory Sandbox Team

**POWERSYNC TECHNOLOGIES SUBMISSION ON VIOTAS SANDBOX TRIAL WAIVER APPLICATION**

**1. Introduction**

PowerSync Technologies welcomes the opportunity to provide a submission in response to the AER's consultation on the VIOTAS Sandbox Trial Waiver Application.

PowerSync supports the continued development of the Wholesale Demand Response Mechanism and agrees that demand-side flexibility has an important role to play in improving the efficiency, reliability and affordability of the National Electricity Market. PowerSync also supports, in principle, reforms that would allow suitable commercial and industrial sites with multiple electrically interconnected connection points to participate in WDRM, provided appropriate safeguards are in place.

However, PowerSync does not support the waiver being granted in a manner that gives one Demand Response Service Provider exclusive or preferential access to a commercially valuable class of customers for the trial period. As currently framed, the proposed waiver appears to provide VIOTAS with a unique pathway to register multiple-connection-point C&I loads for WDRM participation, while other capable DRSPs remain unable to do so under the existing NER framework.

PowerSync's position is therefore:

1. the policy objective of expanding WDRM eligibility to suitable multiple-connection-point sites should be supported;
2. any sandbox waiver should be designed in a competitively neutral manner; and
3. equivalent access should be available to all registered DRSPs that can satisfy the same technical, operational, settlement, customer consent and reporting conditions.



## **2. PowerSync's interest in the consultation**

PowerSync is an Australian energy technology company with a significant commercial and industrial customer base, accessed both through direct market participation arrangements and through our network of channel and retail partners. PowerSync currently orchestrates large industrial loads and distributed energy resources across multiple energy markets, including customers with material flexible demand capability that could contribute to WDRM.

However, a number of these existing and prospective customers are currently precluded from participating in WDRM because their sites have multiple electrically interconnected connection points or NMs. These large, sophisticated energy users with the operational capability, metering infrastructure and commercial interest to participate in demand response are excluded by the current eligibility rules.

PowerSync therefore strongly supports the objective of enabling suitable multiple-connection-point C&I sites to participate in WDRM. The issue is not whether these customers should be able to participate. The issue is whether the interim pathway should be available only to one market participant, where other capable DRSPs, including PowerSync, have existing customers and pipeline opportunities that could meet equivalent technical, operational and reporting conditions.

PowerSync has a direct interest in the development of WDRM and other mechanisms that allow flexible demand and behind-the-meter resources to participate in the NEM on a transparent and technology-neutral basis. PowerSync supports regulatory reforms that unlock additional flexible capacity from C&I customers, particularly where that capacity can reduce wholesale costs, support reliability and defer network or generation investment.

## **3. Overall position on the proposed waiver**

The proposed waiver would allow VIOTAS to contract with, register and operate WDRM participation for up to 20 large C&I sites that are currently excluded because they have multiple electrically interconnected connection points. These are not minor or purely experimental opportunities. The consultation material indicates that VIOTAS expects to focus on high-voltage C&I sites, including data centres and water utilities, which may represent significant flexible capacity and commercial value in the demand response market.

If only VIOTAS is permitted to access these customers during the trial period, it will gain a material first-mover advantage and create significant market distortion. This could include signing customer contracts, establishing operational relationships, influencing commercial benchmarks and capturing a substantial portion of the most attractive early market before other DRSPs can compete on equivalent terms.

It may also dilute the addressable market for other participants with competitive and innovative demand response offerings, even where those participants are technically and operationally capable of delivering equivalent or better outcomes. PowerSync considers that this would be inconsistent with the competitive neutrality that should underpin regulatory sandboxing in a competitive sector of the NEM.



## 4. Response to consultation questions

### Question 1: Contribution to regulatory and industry experience

PowerSync agrees that a properly designed trial could provide useful regulatory and industry experience. In particular, the trial could help assess whether multiple electrically interconnected connection points can participate in WDRM without material changes to AEMO systems, provided that:

- all relevant connection points are captured;
- the same DRSP is responsible for the whole site;
- the same Market Customer or FRMP applies across all participating connection points;
- baseline, performance and settlement outcomes are transparent and auditable; and
- post-event analysis is shared in a form that allows the broader market to learn from the trial.

For the purpose of the initial trial, all participating connection points should generally be served by the same Market Customer or FRMP, unless AEMO is satisfied that an alternative arrangement can be supported without creating settlement, billing, baseline or market integrity risks. This condition should not be interpreted as requiring the DRSP to also be the retailer or FRMP, nor should it unnecessarily restrict independent DRSP participation in WDRM.

The value of the trial depends on the quality and accessibility of the learnings. If the key site details, operational outcomes, baseline comparisons and settlement impacts are only shared confidentially with AER and AEMO, the broader industry benefit will be limited.

PowerSync recommends that the AER require public reporting of anonymised trial outcomes, including at least:

- site category or industry type;
- region;
- number of connection points;
- approximate site load or WDR capacity band;
- baseline methodology used;
- comparison between NMI-level and aggregate assessment;
- settlement differences;
- dispatch performance;
- any conformance or availability issues; and
- any operational issues identified by AEMO, the relevant FRMP, retailer or NSP.

This would preserve customer confidentiality while ensuring the trial contributes to broader regulatory and industry development.



## **Question 2: Interaction with the AEMC rule change process**

PowerSync considers that the trial could provide useful evidence for the AEMC's consideration of the related rule change, provided it is structured as an industry-accessible framework rather than a participant-specific exemption.

If the waiver pathway is available to other registered DRSPs that meet equivalent technical, operational, customer consent, settlement, verification and reporting conditions, the trial will generate more robust and representative learnings. This would allow the AEMC to assess a broader range of sites, technologies, operating models and DRSP capabilities, rather than relying on a single participant's portfolio.

On that basis, PowerSync supports the trial being used to assess whether multiple-connection-point sites can participate in WDRM without material changes to AEMO systems, provided appropriate safeguards are in place. Relevant learnings for the AEMC could include whether:

- NMI-level assessment produces materially equivalent outcomes to whole-of-site aggregation;
- "whole plant capture" can be verified using single line diagrams, NSP confirmation or other appropriate controls;
- the approach remains robust across different site types, regions, load profiles and connection point configurations;
- the same-DRSP and same-FRMP conditions are sufficient to manage baseline, settlement, billing and market integrity risks during the trial;
- existing dispatch, settlement and retailer billing processes can support participation without significant system changes; and
- any additional participant obligations should be included in an enduring rule.

PowerSync considers that allowing multiple qualified DRSPs to participate would materially improve the value of the trial for the AEMC. It would reduce the risk that the trial outcomes are specific to one participant's systems, customer portfolio or commercial model, and would provide a stronger evidentiary basis for determining whether the NER should be amended on a permanent and market-wide basis.

## **Question 3: Competition impacts**

PowerSync considers that the proposed waiver may have a material impact on competition.

The AER's consultation paper notes that the trial may increase competition by allowing currently excluded C&I sites to participate in WDRM as an alternative to retailer demand response programs. PowerSync agrees with that point at a general market level. However, the relevant competition question is not only whether WDRM competes with retailer-led demand response programs. It is also whether the waiver distorts competition between DRSPs.



As drafted, the waiver appears to allow VIOTAS to access a category of WDRM customers that other DRSPs cannot access under the same regulatory framework. This creates a direct competitive concern. It may allow VIOTAS to:

- approach and contract with large C&I customers that are unavailable to other DRSPs for WDRM participation;
- establish first-mover relationships with strategically important customers;
- capture limited high-value flexible demand opportunities before the market is opened more broadly;
- influence customer expectations and commercial benchmarks; and
- gain regulatory and market credibility from a trial that other DRSPs are not equally able to conduct.

The proposed cap of 20 sites does not fully address this concern. Depending on the size and type of customers selected, 20 large C&I sites could represent significant flexible capacity and commercial value. A site cap should not be treated as a sufficient proxy for a capacity cap or competition safeguard.

PowerSync recommends that the AER address this competition risk by adopting one of the following approaches:

1. make the waiver pathway available to all registered DRSPs that can satisfy equivalent conditions;
2. establish a fast-track process for equivalent waiver applications by other DRSPs;
3. impose conditions that prevent the waiver being used to secure long-term exclusive customer arrangements beyond the legitimate purpose of the trial.

PowerSync's preferred approach is that equivalent access should be made available to any registered DRSP that can meet the same technical and reporting requirements.

#### **Question 4: Appropriate site selection**

PowerSync considers that the trial should focus on sites that are representative enough to produce useful regulatory learnings, but simple enough to avoid unnecessary settlement, operational or gaming risks.

Appropriate trial sites should generally have:

- large C&I load;
- clear and current single line diagrams;
- a limited number of electrically interconnected connection points;
- all relevant connection points under the same FRMP or Market Customer;
- all relevant connection points participating through the same DRSP;
- clear operational control over the flexible load;
- suitable metering and data quality; and
- a load profile suitable for WDRM baseline assessment.

However, PowerSync considers that the AER should avoid allowing the trial to focus only on the simplest possible sites if the objective is to inform an enduring rule change.



A trial involving only near-identical two-NMI sites may be insufficient to support broader regulatory conclusions. The trial should include controlled diversity, including different NMI configurations, regions and customer types.

### **Question 5: Whole plant capture and prevention of gaming**

PowerSync agrees that whole plant capture is central to the integrity of the proposed trial.

The core risk is that a site could appear to reduce load at one connection point while shifting consumption to another connection point, resulting in payment for demand response that does not reflect a genuine whole-site reduction. That risk must be addressed through both up-front registration controls and post-event verification.

PowerSync recommends the following safeguards:

1. A current single line diagram should be provided for each trial site before registration.
2. AEMO should have discretion to reject any site where the electrical configuration is unclear or too complex for the trial methodology.
3. All relevant connection points should be registered and assessed as part of the trial.
4. All participating connection points should have the same DRSP and the same FRMP or Market Customer.
5. Post-event analysis should compare NMI-level performance with whole-of-site aggregate performance.
6. Any material divergence between NMI-level and aggregate outcomes should be reported to the AER and AEMO and included in anonymised public reporting.

These safeguards would reduce the risk of gaming while preserving the ability to test whether existing AEMO systems can support participation without major system changes.

### **Question 6: Other risks and proposed conditions**

PowerSync considers that the AER should address the following additional risks:

#### **Competitive neutrality risk**

The waiver should not provide one DRSP with exclusive access to a valuable class of customers. Equivalent access should be made available to other registered DRSPs that can satisfy the same conditions.

#### **Duration risk**

A five-year waiver may be longer than required to test the relevant regulatory questions. PowerSync recommends an initial term of 12 to 24 months, with any extension subject to demonstrated need, market impact assessment and progress of the AEMC rule change.

#### **Capacity concentration risk**

The proposed 20-site cap should be supplemented by a capacity cap or reporting threshold. The AER should consider whether the total flexible capacity registered under the trial could have a material impact on the competitive demand response market.



**Customer lock-in risk**

The AER should consider whether trial participants should be prevented from being locked into long-term arrangements that extend materially beyond the trial or frustrate customer choice once the enduring framework is established.

**Transparency risk**

Public learnings should not be limited to high-level statements. The AER should require anonymised reporting that is detailed enough to inform other DRSPs, retailers, FRMPs, NSPs, AEMO and the AEMC.

**Operational risk**

The AER should ensure that AEMO has sufficient discretion to suspend or remove sites from the trial where dispatch, settlement, baseline accuracy, telemetry or conformance issues arise.

**Precedent risk**

The AER should be cautious about granting participant-specific waivers that create commercial advantage in competitive markets. Where a regulatory barrier affects multiple capable participants, the preferred sandbox approach should be competitively neutral access, not exclusive relief.

**6. Conclusion**

PowerSync supports the expansion of WDRM eligibility to suitable commercial and industrial sites with multiple electrically interconnected connection points. These sites may provide material flexible capacity and should not be excluded from the market where appropriate safeguards can be implemented.

However, PowerSync does not support a sandbox waiver that gives one DRSP exclusive or preferential access to this customer class for the trial period. The proposed waiver raises a clear competitive neutrality issue because it may allow VIOTAS to register and contract with large C&I customers that other DRSPs cannot access under the same regulatory framework.

The AER should therefore either make equivalent access available to other registered DRSPs that can meet the same conditions, or impose additional safeguards to ensure the trial remains genuinely limited, transparent and directed toward regulatory learning rather than commercial market capture.

PowerSync would welcome the opportunity to engage further with the AER, AEMO and the AEMC on the development of a competitively neutral framework for multiple-connection-point participation in WDRM.

Yours sincerely

***For and on behalf of PowerSync Pty Ltd***

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