AUSTRALIAN ENERGY COUNCIL

Ms Stephanie Jolly
Executive General Manager, Consumer, Policy and Markets Division
Australian Energy Regulator
regulatorysandbox@aer.gov.au

16 September 2025

Dear Ms Jolly,

Australian Energy Council submission to AER Issues Paper: Ausgrid Community Power Network trial

The Australian Energy Council (AEC) welcomes the opportunity to make a submission in response to the AER's Issues Paper on Ausgrid's Community Power Network application. The AER is seeking stakeholder views on matters including whether the application meets the eligibility requirements and the innovative trial principles. The AEC acknowledges the significant amount of time and effort the AER has put into developing the sandboxing arrangements, and considers it is a key initiative to accelerate understanding of the best models to overcome barriers to access, deployment and orchestration of customer energy resources (CER).

While we support the overall intent of Ausgrid's Community Power network trial, we do not support the approach and conduct of the trial as described in the proposal. We strongly consider Ausgrid's proposal as it stands does not meet the AER's assessment criteria.

We are seeking to work with Ausgrid to consider how the proposal can be amended, including the possibility of greater retailer participation. We welcome the AER's involvement in facilitating industry collaboration. We request that the AER extends the consultation process. The attached submission provides a more detailed discussion of our concerns and a way forward that is more consistent with policy makers vision of future energy markets.

Any questions about this submission should be addressed to Jo De Silva, General Manager Retail Policy by email to jo.desilva@energycouncil.com.au or by telephone on 03 9205 3100.

Yours sincerely,

Jo De Silva

Jo De Silva
General Manager Retail Policy

About the Australian Energy Council
The AEC is the peak industry body for electricity and downstream natural gas businesses operating in the competitive wholesale and retail energy markets. AEC members generate and sell energy to over 10 million homes and businesses and are major investors in renewable energy generation which is a part of the transition currently occurring in the industry. The AEC supports reaching net-zero by 2050 as well as a 55 per cent emissions reduction target by 2035 and is committed to delivering the energy transition for the benefit of consumers. The AEC and its members are strong supporters of protections that provide appropriate support for all customers and the need to ensure regulation is fit for purpose in the evolving energy market.

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AEC submission to AER Issues Paper: Ausgrid Community Power Network trial

AEC's key positions:

- It is important to take a customer-focused approach to coordination of consumer energy resources (CER), including for regulatory sandboxing trials. Policy makers should seek to enable a competitive, customer-centric electricity market that drives innovation and customer choice, and delivers simple, clean and affordable energy services to meet consumer needs and preferences.
- We support the broad intent of Ausgrid's proposal to more efficiently integrate CER into the energy system to the benefit of all customers. Understanding demand and the network's ability to host additional solar generation and storage is a crucial part of any orchestration trial. Distributors can enable customers and other suppliers to invest in CER and develop innovative customer services and products.
- Our members have identified several overriding concerns regarding the proposal as it stands. Ausgrid's proposal requires significant additional consultation and consideration, given it seeks waivers from important customer safeguards in the regulatory framework. This includes allowing a monopoly business to provide contestable services, and providing for significant new capital expenditure above the AER's April 2024 revenue determination. Given the very significant precedent such a move would set, the AEC urges the AER to strongly consider additional measures which would stress test and revise the proposal before it is assessed.
- Ausgrid's is seeking to demonstrate that the coordinated deployment and orchestration of distributed storage by the network operator can deliver the lowest cost of electricity to all customers. However, Ausgrid's proposal does not promote the current policy direction on roles and responsibilities to support CER integration.
- Customer agents, including retailers, are best placed to act as the CER coordinators, optimisers and orchestrators and maximise the value of CER for customers. A key role of a distributor is to provide a platform to promote innovative ways of utilising the grid by facilitating competition in adjacent markets or industries. Distribution businesses can support improved outcomes by leveraging existing infrastructure and/or improving network operations, and providing clear and consistent signals and incentives to actors such as customer agents to orchestrate CER in a way that improves network utilisation to the benefit of all system users. This view is consistent with the CER Taskforce's vision for the design of future energy markets.
- Collaboration across the supply-chain is essential to unlocking the full value of CER for all customers. AEC and its members are committed to working collaboratively with networks and other stakeholders in delivering reforms and shaping the future energy market.
- We request that the AER extends the consultation process to allow further discussions between Ausgrid and the AEC and our retailer members. We have held initial meetings with Ausgrid to gain a better understanding of the intention of the proposal, and work through the concerns expressed in this submission. We have suggested to Ausgrid that we hold additional meetings and workshops to consider how the proposal can be amended to include more retailer participation and ensure strong consumer safeguards.

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1. Context

1.1. Efficient integration of consumer energy resources will unlock major benefits to consumers

Consumer energy resources (CER) are now a significant element of the electricity system with uptake expected to continue to grow into the future. The AEC's members have been providing CER-related products and services to CER customers for the past 15 years. Our retailer members have developed virtual power plants (VPPs), electric vehicle (EV) plans and bundled solar products and services in response to strong CER uptake and needing to maximise the value of CER. We also acknowledge that other organisations and businesses in the energy sector have also developed products and initiatives that support CER integration.

Coordination and orchestration of CER can deliver significant benefits, as discussed in a number of reports and roadmaps published by DCCEEW,[1] AEMC,[2] AEMO,[3] and ESB.[4] In order to realise these benefits and build a lower cost, more resilient and flexible electricity system, the industry must move from managing the impact of CER to leveraging CER capability across the market.

1.2. The AEC's is actively developing a vision for the future role of retailers

In 2024, the AEC developed its *CER Integration Strategy* to help its members navigate a constantly evolving market and regulatory landscape as CER uptake increases. The strategy was endorsed by Chief Executive Officers (CEOs) of AEC members at the March 2024 CEO Forum and has led to a series of projects focused on the future role of retailers in a high CER future.[5] This *Role of Retailers* series has explored the actions and changes that retailers need to make, and support, to enable more effective CER integration. In consultation with our members, the AEC has also explored how policy settings, market incentives, rules, regulations, products and services need to evolve to support all customers in a high CER future.

Our responses to this consultation paper are informed by our work and engagement on the future role of retailers. Appendix A highlights some of our initial findings.

1.3. CER coordination must be focused on customer outcomes

Coordinating CER involves managing, controlling and orchestrating the energy generation and consumption of a suite of energy assets over time. Coordination is not only essential to support operation and management of the power system but is also key to unlocking additional value for CER customers.

Customers with CER are central to the CER coordination (Figure 1). Understanding customer needs, values and behaviours is critical for retailers' success. It is important to think about people in the full context of their lives to broadly understand their motivations. A customer framework also helps

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1 DCCEEW, 2024. *National Consumer Energy Resources Roadmap.*

2 Energeia, 2025. *Benefit Analysis of Load-Flexibility from Consumer Energy Resources Final Report.*

3 AEMO, 2024. *2024 Integrated System Plan.*

4 ESB, 2024. *Consumer Energy Resources and the transformation of the NEM.*

5 AEC, 2024. https://www.energycouncil.com.au/analysis/energy-retail-meeting-the-future-needs-of-energy-consumers/

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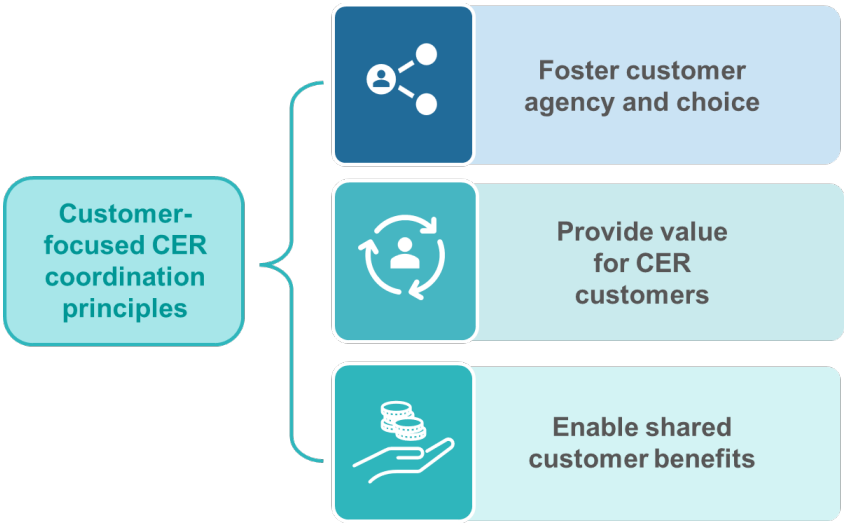
retailers to identify how aggregators, distributors and other service providers in the supply chain can support them to achieve customer outcomes.

Figure 1: Customer needs and values[6]

As part of our *Role of Retailers* work, we have developed the following customer-focused principles to guide CER coordination activities in the market (Figure 2) that deliver wide ranging benefits across all customers.

Figure 2: Customer-focused CER coordination principles



1.4. Partnership and collaboration are key to unlock the full value of CER for customers

Effective and efficient CER integration cannot be achieved by one part of the energy sector acting on its own. Collaboration across the supply-chain is essential to unlocking the full value of CER for all customers. Fostering collaboration and partnerships between different market actors would:

- Help to unlock the full value of CER – providing benefits for all customers

[6] The Energy Charter, 2024. https://www.theenergycharter.com.au/wp-content/uploads/2024/11/BetterTogether-Customer-Led-Tariffs-Stage-1-Update-November-2024.pdf

- Enable the development of innovative services and products – increasing customer choice
- Enable retailers to provide a one-stop-shop for customers – making it simple for customers

The AEC and its members are committed to working with other parts of the industry to explore CER integration opportunities and solutions that deliver better customer outcomes. Over the past 12 months, AEC and Energy Networks Australia (ENA) have been holding joint workshops with their members to identify practical steps that would lead to better CER integration. For example, our members have unanimously agreed to identify ways that would enable improved orchestration of domestic hot water that could lead to lower hot water heating costs for customers. ENA and AEC members have agreed on the industry and customer outcomes of this initiative and are now working together to identify aspects of their operational interactions that can be standardised across Australia.

2. AEC supports the broad intent of Ausgrid's proposal

2.1. Testing the distribution network's ability to host additional renewable generation

The decarbonisation of Australia's energy sector in recent years has been driven by the entry of a significant amount of grid scale renewable generation. Small customers – residential and small business electricity – have also played a significant role in increasing the grid's renewable generation capacity through the installation of rooftop solar systems and a growing fleet of behind-the-meter storage. However, if Australia is to meet its emission reduction ambition, the energy sector should consider all potentially viable options to further increase the level of renewable generation capacity.

Ausgrid's Community Power Network trial intends to test how the distribution network could potentially host more renewable (solar) generation, and how orchestrated batteries can support this outcome. At a conceptual level, leveraging the distribution network's capacity to host additional generation could potentially reduce overall system costs. By locating generation closer to load, there is potential to reduce investment in transmission, and possibly some distribution infrastructure.

While this concept has been discussed in some literature and recent expert reports, we do not believe this concept has been applied in practice in Australia. We support Ausgrid's intention to test approaches and techniques through a sandboxing trial to prove whether the concept is viable in practice. We are interested in whether such an approach would present a lower cost option to increase renewable generation without creating additional network or system issues. We are also interested in how this approach, if proven to be viable, could work together as part of a diverse generation mix for the electricity system.

2.2. The spatial energy plan is an important aspect of the trial

We support Ausgrid's approach to develop a spatial energy plan as a first step of the trial. Understanding the level of electricity demand, the network's ability to host additional solar generation and storage, and the interaction between them is a pre-requisite for improved CER orchestration generally. In the context of this trial, the spatial energy plan also plays an important role in determining the optimum level of generation and storage investment. Beyond this trial, the improved understanding of the distribution network's capacity and constraints would help customers to decide on their own optimum level of CER investment and enable other energy services providers to develop innovative services and products.

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2.3. Sharing benefits with all electricity customers

As discussed in section 1.3, one of the AEC's customer-focused CER coordination principles is to enable shared customer benefits. We believe the equitable sharing of benefits is one of the key contributors to faster integration of CER and support Ausgrid's intent to enable benefits to customers who do not have access to CER.

However, the AEC and our members have serious concerns about how Ausgrid proposes to share benefits with customers under the Community Power Network trial. In contrast to the Ausgrid proposal, we consider the most efficient way to share benefits with customers involves minimizing the cost of infrastructure investment where possible, and providing customers with products and services that enable them to take advantage of the lowest cost electricity.

3. But AEC and our members do not support the approach presented in the current proposal

3.1. Ausgrid's proposal requires further consultation and consideration, given it seeks waivers from important customer safeguards in the regulatory framework

Ausgrid would require a waiver from ring-fencing requirements which prevent distribution businesses from providing non-distribution services which are otherwise provided by competitive markets. Although there have been significant changes to the operating environment, core network services remain natural monopolies with little scope in any given location for a competitor to duplicate the network efficiently. Without effective ring-fencing, a distribution business could hold significant advantages if they are allowed to operate in markets for contestable services – such as those for metering and energy storage services. The purpose of ring-fencing is to prevent the monopoly network businesses from discriminating in favour of their related parties to disadvantage competitors operating in these markets, and not use revenue earned from regulated services to cross-subsidise contestable services.

Ausgrid is also seeking a waiver from a clause in the National Electricity Rules (NER) relating to the reopening of distribution determination for capital expenditure. If granted, waiving this requirement would allow Ausgrid to include the significant costs of the Community Power Network in Ausgrid's 2024-29 revenue allowance. It is noted that Ausgrid proposed a $54.5 million network innovation program as part of its 2024–29 Regulatory Proposal, which included a workstream to support and enable customer CER integration, such as further integration of batteries.[7] The AER rejected this proposed expenditure on the basis that Ausgrid did not provide sufficient information to support the prudency and efficiency of the program.[8] In its final decision,[9] the AER maintained its position and outlined its approach to assessing future innovation proposals[10] – which also appear relevant to the AER's assessment of Ausgrid's sandboxing application.

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[7] Ausgrid, 2024-29 Regulatory Proposal, Attachment 5.8a: Network innovation program, 31 January 2023.

[8] AER, Ausgrid Electricity Distribution Determination 2024 to 2029, Draft decision: Attachment 5 Capital Expenditure, September 2023.

[9] AER, Ausgrid Electricity Distribution Determination 2024 to 2029, Final decision: Attachment 5 Capital Expenditure, April 2024.

[10] The AER now applies the following criteria to assess proposed network innovation project expenditure: **(1)** the proposed projects in the program must be innovative; **(2)** the justification for the proposed projects must be linked to the expenditure objectives; **(3)** the proposed projects cannot be funded elsewhere; **(4)** the proposed

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3.2. Ausgrid's proposal does not promote the current policy direction on roles and responsibilities to support CER integration

Ausgrid's proposal is inconsistent with the policy direction put forward by the CER Taskforce in its M3/P5 consultation paper. The CER Taskforce considers that customer agents are the parties to orchestrate CER, and to develop products that deliver benefits to customers. The Taskforce's position also envisages customer agents to manage complexities on behalf of customers.

In July 2025, the Australian Government released a consultation paper on redefining roles and responsibilities of energy market actors in a high CER future. Although the paper only touches briefly on the role of 'customer agents', it nevertheless acknowledged that customer agents are pivotal to unlocking the full value of CER flexibility. Customer agents include energy retail licence holders, aggregators, energy service companies, or customers acting as their own agent. The key roles of customer agents are to:

- optimise CER
- enable customers to receive rewards for their CER flexibility
- interact directly with CER customers and their devices
- build trust and confidence across customers, industry, and system operators to support innovation and secure system operation.

The CER Taskforce's vision for the role of customer agents is consistent with our view of the future role of retailers (Appendix A). Our submission to the July 2025 consultation paper confirms this view.[11]

Ausgrid's central hypothesis is that the coordinated deployment and orchestration of distributed storage **by the network operator** can deliver the lowest cost of electricity to all customers.

This is inconsistent with the CER Taskforce's design of the energy market. This reduces the potential benefits of the trial, given distribution networks will not be responsible for CER orchestration. In any case, Ausgrid is not testing a counterfactual and it does not acknowledge its role in supporting the market for non-network, contestable services. Ausgrid's proposal only tests one orchestration approach. Distributors are not the only party who are capable of orchestrating batteries. In the spirit of policy-led sandboxing trial, we consider there is an opportunity under this trial to test how different parties could operationally orchestrate batteries to provide the best customer outcome.

Ausgrid's proposal is likely to crowd out other market-led solutions. While Ausgrid's proposal allows other parties such as retailers and aggregators to participate in the Community Power Network, the scale of Ausgrid's proposed investment, and the automatic opt-in of customers, means that in practice, behind the meter solutions would not be able to attract customer interests and provide a viable alternative.

Moreover, we consider a key role of a distribution businesses is to provide a platform to promote innovative ways of utilising the grid by facilitating competition in adjacent markets or industries. Distributors can support this outcome by leveraging existing infrastructure and/or improving network

projects must be prudent from a scale perspective for a trial/pilot phase, with a framework setting out the pathway from trial/pilot to business-as-usual (BAU) phase; and **(5)** there is stakeholder support for the innovation expenditure.

[11] See: Complete survey - National Consumer Energy Resources (CER) Roadmap - Redefine roles for market and power system operations – M3/P5 - Department of Climate Change, Energy, Environment and Water (last accessed 16 September 2026).

operations and providing clear and consistent signals and incentives to actors such as customer agents to orchestrate CER in a way that improves network utilisation to the benefit of all system users.

3.3. Ausgrid proposed expenditure may not be prudent and efficient

Ausgrid seeks to recover the costs of the project from customers within its broader network area, with a separate dedicated pilot funding component. As stated by the AER, the total project costs of the proposed trial are approximately $110 million, or $180 million should Ausgrid step in as solar owner of last resort and install solar generation. Ausgrid proposes to fund $72.8 million of the program through standard network tariffs applied to its customer base. All customers will be required to pay for around 15 per cent of the additional network storage for the pilot, and for the full cost for additional Distribution System Operator (DSO)-related capabilities.

Although there is no innovative trial principle specifically addressing project costs, the AER must consider whether the proposal contributes to achieving the National Electricity Objective. To this end, we consider the AER should take into account the NER expenditure objectives because these objectives reflect the service outcomes that are in the long-term interests of consumers. The proposed trial expenditure is even greater than Ausgrid's proposed network innovation program as part of its 2024–29 Regulatory Proposal – which the AER rejected, as noted above.

Therefore, it may be appropriate for the AER to undertake an independent cost–benefit analysis to confirm the robustness of Augrid's estimates. It is acknowledged that an innovation project should not necessarily produce a net positive result. However, the AER should expect that a business can demonstrate the potential benefits to consumers in the event the activity is successful. In this context, the AER should consider the potential benefits of a trial that is unlikely to be a feature of the market design of the future energy system, as discussed above. Indeed, the CER Taskforce is currently considering even whether DSO services should be provided by the network operator or not.

3.4. Ausgrid's proposal may complicate customer communications

Ausgrid's proposal seems overly complex. Although we commend Ausgrid's effort in developing a dividend scheme, the main focus of the trial should be to test how orchestration could be conducted operationally to deliver an optimised outcome for the system and consumers. Benefits will flow to consumers if the system is optimised.

Ausgrid's proposal risks creating an expectation that may not be met when the trial concludes. Ausgrid's plan involves providing a higher feed-in tariff to incentivise a significant investment by customers. However, there is no guarantee that the higher feed-in tariff level would be sustainable beyond the five year trial period. In many parts of Australia, there is already significant system issues being caused by excess solar generation during the day. Many customers are receiving very low feed-in tariff, and spot exposed customers would on many instances see negative export prices. Ausgrid's approach risk creating a significant stranded investment.

Ausgrid's proposal does not take into account the significant uptake of the Federal Government's home batteries scheme. The rate of uptake could see behind the meter storage being a significant part of the distributed energy system. By testing only a front of meter orchestration solution, the project could risk an erroneous conclusion and potential inefficient investment.

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4. Our proposed way forward

In principle, we are strongly supportive of initiatives that seek to improve network utilisation by piloting innovations in network planning and operations in a CER heavy future, incentivising flexible use of existing network assets through new customer-facing demand flexibility products, and integrating this flexibility into the planning of the wider energy system.

We consider there are good policy reasons to test whether hosting more distribution level generation would reduce overall system cost. Ausgrid's proposal provides a foundation, but it needs further refinement and wider input and involvement from other participants.

AEC and its retailer members are committed to working collaboratively with networks and other stakeholders in delivering reforms and shaping the future energy market. We have met with Ausgrid several times to explore how the trial could be amended, including ways to enable different parties to orchestrate front-of-meter batteries orchestration, different ownership models for batteries and potential inclusion of VPPs as part of the trial. We have in principle agreement from Ausgrid to hold further meetings and workshops to explore different ways to include other participants in the trial in the coming weeks.

We request the AER extend its consultation period to allow this further engagement to occur. We would be willing to discussing our approach with the AER team, and also hold a joint meeting with Ausgrid, AER, AEC and a selection of our retail members to discuss potential ways to amend the proposal before it is assessed for approval.

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Appendix A: Customer agents play a key role in CER orchestration

A.1 Customer agents are best placed to orchestrate CER – but they need supply chain support to maximise value for customers

Customer agents are best placed to coordinate and orchestrate CER as they have close relationships with customers and can help build confidence and trust in CER coordination services and products. They understand what works for individual customers, as well as being able to take a broader network view.

Customer agents, including retailers, have a significant role to play in supporting customers that want CER services. These customers include those willing to give some level of control to third-parties, in return for greater rewards and discounts on their energy bills, CER management support, and minimal direct engagement in the energy market.

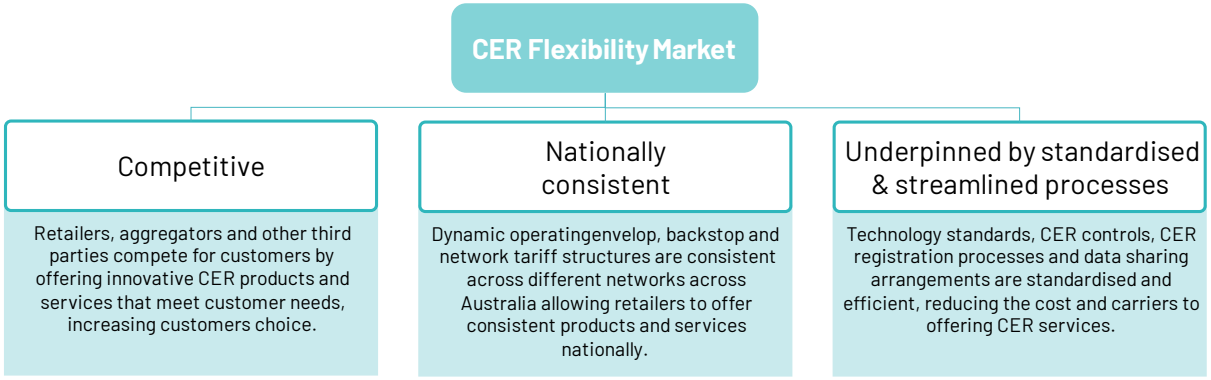
Markets, regulation, systems and processes need to be designed in a way that supports customer agents to delivery effective CER coordination services. The full value of CER can only be unlocked if the operating environment is fit-for-purpose and enables innovative and market-based solutions. To realise effective CER coordination at scale, policy makers need to take a nationally consistent approach to reforms and empower different market actors to collaborate in design and delivery (Figure 3).

A.2 Reforms need to take a customer-centric approach underpinned by competitive markets

As discussed above, CER coordination must be delivered in a customer-focused way – through designing products and services that meet customer needs and preferences, while also providing settings that motivate and enable customer participation if they choose to engage.

This will help to build and maintain social licence for the energy transition and specifically for the CER coordination and orchestration products, services and requirements that will need to be developed as CER uptake increases.

Figure 3: AEC's vision for the CER flexibility market



Strengthening competition and encouraging market-based solutions should be key objectives for governments. A competitive market in which customers have agency and choice in the CER coordination products and services they receive, would help meet customer needs and preferences (Figure 4). Customers with CER should benefit directly from CER coordination, while customers without CER should benefit from an overall reduction in power system costs. Customers value agency and want

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to choose the products and services that suit them. Competition leads to diversity in offerings, lower costs and choices for customer.

A.3 Retailers' role will remain largely the same, but the 'back of house' operation will evolve

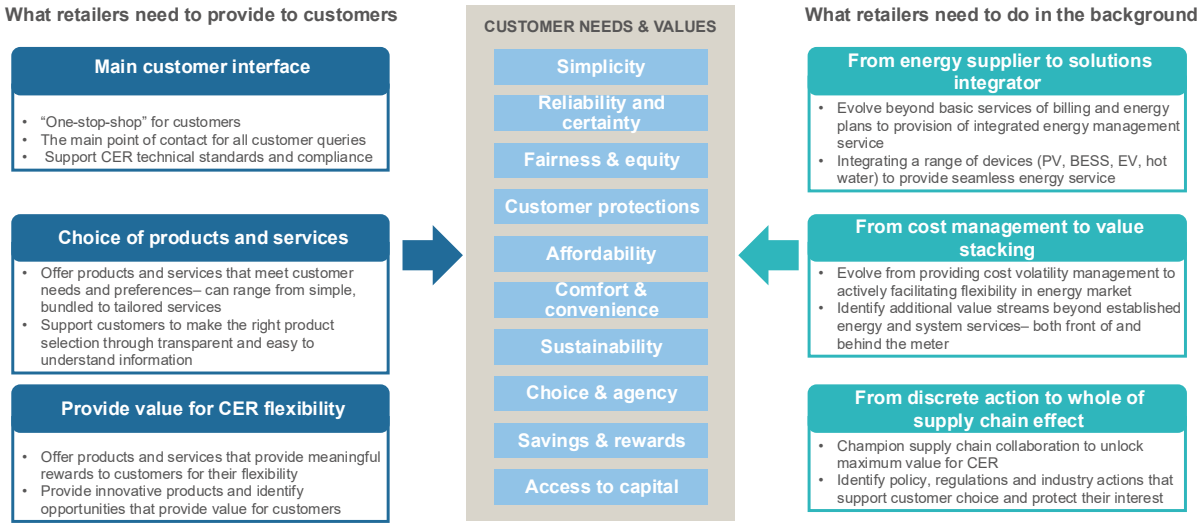
Retailers are well placed to act as customer agents and optimise the value of CER across energy markets. Retailers are already undertaking many of the activities needed to perform this role. However, many retailers will need to evolve their business models and 'back of house' operations to operate as flexible aggregators capable of orchestrating diverse energy resources (both in front and behind the meter), managing dynamic prices and delivering value to customers in an evolving energy ecosystem (Figure 4).

Retailers are experts at energy arbitrage in wholesale and FCAS markets and are responsible for purchasing electricity from the spot market to meet demand. Retailers already manage price volatility on behalf of their customers through hedging strategies, demand response programs, and innovative products that encourage customers to shift consumption to lower-cost periods.

Retailers also have existing relationships with customers and their CER. They understand how different CER assets can complement each other and leverage government schemes, such as solar and battery subsidies, to promote CER uptake.

Retailers are well placed to optimise CER and provide flexibility services to parties who value them the most. Retailers can provide value to customers by undertaking energy arbitrage in energy markets on behalf of customers. They can further optimise customer assets by directing CER to network support services where distribution network service providers provide visibility and markets for these services – including identifying where there are network constraints and signalling the value through network support agreements. Retailers can also use CER to respond to network pricing signals, however, the value to the customer and energy system varies depending on how 'sharp' the pricing signal is.

Figure 4: The role of retailers in enabling CER flexibility services as customer agents



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