

30 April 2025

Dr Kris Funston  
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Australian Energy Regulator  
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Lodged electronically to [aerinquiry@aer.gov.au](mailto:aerinquiry@aer.gov.au)

Dear Dr Funston,

### **Draft Shared Asset Guidelines – Regulated Stand-Alone Power Systems Review**

Nexa Advisory welcomes the opportunity to contribute to the AER's 2025 update to the Shared Asset Guidelines for regulated Stand-Alone Power System (SAPS).

Nexa is an advisory firm with an unwavering focus to accelerate the clean energy transition in a way that provides secure, reliable, and affordable power for consumers of all types. Nexa Advisory is a team of experienced specialists in the energy market, policy and regulation design, stakeholder engagement, and advocacy. We work with public and private clients including renewable energy developers, investors and climate impact philanthropists to help them get Australia's clean energy transition done.

Nexa Advisory has consistently raised concerns around the role and performance of Distribution Network Service Providers (DNSPs) under the existing regulatory framework<sup>12</sup>, which has limited the evolution and competitiveness of consumer-centric technology solutions including SAPS.

As noted by the AER, the “competitive provision of SAPS generation services will provide long-term benefits to customers by facilitating price discovery and product innovation in SAPS generation services”<sup>3</sup>. As such, it is critical that ring-fencing is upheld such that regulated DNSPs are the last resort in delivering these solutions.

### **The AER must uphold ring-fencing provisions where SAPS are implemented**

We support the intention of the SAPS rule change and current AER Review where this enables innovative SAPS solutions which reduce the need for inefficient network development and regulated asset growth. In the long run, this reduces maintenance and management costs and overall network costs, while enhancing reliability and resilience<sup>4</sup>.

However, there have been limited SAPS implemented across the National Electricity Market (NEM) to date, and complex market arrangements - including pseudo-competitive retail

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<sup>1</sup> Nexa Advisory, [Select Committee Energy Planning and Regulation](#), October 2024

<sup>2</sup> Nexa Advisory, [AER Community Battery Class Waiver submission](#), January 2023

<sup>3</sup> AER, [Updating the regulatory frameworks for distributor-led stand-alone power systems – Draft rules](#), Feb 2020

<sup>4</sup> Ausnet, [Stand Alone Power Systems](#)

arrangements, have hindered the creation of third-party SAPS<sup>5</sup>. This is also due to limited transparency over network data and the costs associated with the local electricity network<sup>6</sup>.

The AER must uphold strong ring-fencing provisions for DNSPs to ensure these solutions can be competitively provided by third parties.

We note there have been a small number of ring-fencing waivers granted to Ergon Energy for the delivery of SAPS solutions<sup>7</sup>. We propose that the granting of any additional waivers should be assessed based on 'consumer value' principles to ensure that competitive service offerings are not distorted. Additionally, waivers must increase stronger monitoring and reporting by DNSPs as well as the AER when granted, to ensure that they continue to deliver outcomes in line with these consumer value principles.

### **Network data transparency is needed to ensure competitive neutrality**

As part of this Guideline, we consider there is also opportunity to enhance the disclosure and transparency of critical network data, including locational information, as well as regulated generation revenues. This would facilitate SAPS and other non-network solutions being competitively delivered by third parties.

The current role of DNSPs to identify and forecast distribution network need, with no requirement to share that network data with other market participants, means that it is not possible to identify where and how non-DNSP-led investments (including SAPS or other non-network alternatives) could offer value.

Currently, this information asymmetry benefits the incumbent DNSP, creating the potential for discrimination against third parties, because the limited access to network data impacts third parties' ability to competitively develop solutions which mitigate the need for regulated distribution network development.

This discrimination is difficult to demonstrate under the current arrangements, and therefore difficult to enforce through regulations (e.g., ring-fencing provisions). Without addressing this issue, DNSPs will continue to benefit from this asymmetric information, undermining the ability for non-DNSP businesses to deliver assets competitively, maximising the value for consumers as well as benefiting the network.

While we have previously argued for network information to be a condition of DNSP licencing arrangements<sup>8</sup>, we consider that in the context of this consultation, the AER should facilitate greater visibility over both locational network information and potential value of SAPS solutions if these are delivered by regulated network businesses.

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<sup>5</sup> AEMO, [Market Stand Alone Power Systems Resource Provider \(MSRP\)](#), March 2023

<sup>6</sup> Nexa Advisory, [Accelerating Consumer Energy in Australia](#), April 2024

<sup>7</sup> AER, [Ergon Energy - Ring-fencing Waiver - Isolated Networks](#), March 2025

<sup>8</sup> Nexa Advisory, [Accelerating Consumer Energy in Australia](#), April 2024

**Concluding remarks**

Where ring-fencing is enforced and it is determined that DNSPs are best placed to deliver SAPS solutions, we support the application of the Shared Asset Guidelines by the AER to ensure competitive and cost-effective outcomes for electricity consumers. We agree that all regulated SAPS net positive generation revenues are material and should be reflected in the cost reduction of the regulated revenue requirement to avoid DNSPs 'double-dipping' and electricity consumers paying twice for these solutions.

Thank you for the opportunity to provide input to the Guidelines. We welcome the opportunity to further discuss any aspect of our submission - please contact either myself or Jordan Ferrari, Director - Policy and Analysis, [REDACTED]

Yours Sincerely,

Stephanie Bashir  
CEO and Principal  
Nexa Advisory