Final Shared Asset Guidelines - Regulated Stand-Alone Power Systems Review

Explanatory Statement

June 2025

AUSTRALIAN ENERGY REGULATOR

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1 Introduction

The Australian Energy Regulator (AER) exists to ensure energy consumers are better off, now and in the future. Consumers are at the heart of our work, and we focus on ensuring a secure, reliable, and efficient energy future for Australia as it transitions to net zero emissions. We are guided in our role by the national electricity objectives set out in the National Electricity Rules (NER). These objectives focus on promoting the long-term interests of consumers.

In February 2022, the Australian Energy Market Commission (AEMC) published the *National Electricity Amendment (Regulated stand-alone power systems) Rule 2022* removing existing barriers to distribution network service providers (DNSPs) providing stand-alone power systems (SAPS) to customers. Where it is more economically efficient than connection to the interconnected national electricity system, DNSPs can now provide SAPS to existing customers, and offer to connect new customer to existing DNSP-operated SAPS.[1] This is also referred to as regulated SAPS.[2]

The AEMC identified that the introduction of regulated SAPS may have implications for our existing guidelines.[3] In particular, the SAPS rule change amended Chapter 6 of the NER to classify regulated SAPS as standard control services. Consequently, regulated SAPS form part of the regulated asset base (RAB)[4] while also providing a non-distribution service, specifically a generation service. Where an asset in the regulatory asset base is providing two services, one of which is not a distribution service, the provisions related to shared assets in the NER apply.

Without any updates to the Shared Asset Guidelines (Guidelines), the introduction of regulated SAPS will enable DNSPs to recover two types of revenue. First through the revenue determination process, as the SAPS assets will form part of a DNSP's regulatory asset base. Second, through payment received from the Australian Energy Market Operator (AEMO) for the sale of electricity generated using the regulated SAPS. Therefore, the AEMC considered that the net positive payments from AEMO for SAPS generation should be deducted from the DNSP's annual revenue allowance through the Shared Asset Guidelines.[5]

In giving effect to the SAPS rule change, we must review and update the Guidelines.[6]

1 AEMC, Review of the Regulatory Frameworks for Stand-alone power systems - Priority 1, May 2019.

2 A stand-alone power system is a system that generates and distributes electricity but is not physically connected to the national electricity grid. A SAPS can come in various forms, but for a residential customer it typically comprises of one or more renewable power generation units, a battery, and back-up generation. For some customers, this set-up will deliver safe and reliable power at a lower cost than connecting to the national grid.

3 AEMC, Review of the Regulatory Frameworks for Stand-alone power systems - Priority 1, May 2019.

4 Under the clause 6.5.1(a), the regulatory asset base of network service provider is the value of the asset used to provide standard control services, but only to the extent they are used to provide those services.

5 AEMC, *Updating the Regulatory Frameworks for Distribution-led stand-alone power systems: Final Report*, 28 May 2020, pp. 58-59.

6 NER, cl. 11.142.5(a).

1.1 Shared Asset Guidelines

The AER must publish and maintain Shared Asset Guidelines setting out how we apply the shared asset principles contained in the NER.[7] The purpose of these Guidelines is to develop a mechanism to share benefits with electricity customers where a Network Service Provider (NSP) uses assets paid for by those customers,[8] to provide both regulated and unregulated services. These Guidelines do so by prescribing a shared asset mechanism, to reflect the shared use of the regulated asset.

Our approach reduces the revenue recovered from electricity customers by the amount of unregulated revenues earned by NSPs through the existing regulated asset base (RAB).[9]

Our 2013 Guidelines set out how we reduce consumer costs for shared assets:

- **Materiality:** The shared asset principles in the NER,[10] establish that use of shared assets should be material before cost reductions are applied,[11] but the NER do not define materiality in this context. Our Guidelines set out that we will apply the shared asset cost reduction method when the unregulated revenues from shared assets are more than 1% of the NSP's total annual revenue (smoothed).[12]
- **Method:** The NER specify that our proposed approach to applying the shared asset principles may include a methodology to determine cost reductions.[13] Our Guidelines state that we will reduce a NSP's regulated revenues by 10% of the value of unregulated revenues earned from shared assets.
- **Cost reductions may be proposed by NSPs:** The NER provides powers to the AER to determine cost reductions.[14] However, consistent with the propose-respond model in the NER, we will allow service providers to propose cost reductions to us.[15]
- **Information reporting:** This includes what we'll require from NSPs to determine shared asset cost reductions that are reported through our regulatory information instrument.

Currently, our shared asset mechanism, in the 2013 Guidelines, forecasts the annual unregulated revenue that a NSP is expected to earn from shared assets. This forecast is then compared to the revenue that is required to provide regulated services. The potential value of the cost reduction is capped by the NER, so that the reduction cannot exceed the regulated revenue of those assets.

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7 NER, cll. 6A.5.5(c)-(d) and 6.4.4(c), (d).

8 When a NSP invests in a new asset, like a power pole, its cost is added to the NSP's regulatory asset base. The return that the NSP earns on the asset base is recovered from customers. If a business is also being paid for providing unregulated services, like carrying telco infrastructure on the pole, the NSP is essentially being paid twice for the same asset.

9 Under the clause 6.5.1(a), the regulatory asset base of network service provider is the value of the asset used to provide standard control services, but only to the extent they are used to provide those services.

10 As defined in NER, cl. 6.4.4(c) for distribution services and NER, cl. 6A.5.5(c) for transmission services.

11 NER, cll. 6.4.4(c)(3) and 6A.5.5(c)(3).

12 Please refer to the AER's Shared Asset Guidelines, section 2.3.

13 NER, cll. 6.4.4(c)(4) and 6A.5.5(c)(4).

14 NER cll. 6.4.4(a) and 6A.5.5(a).

15 In some instances, NSPs may apportion unregulated revenues. This may be suitable when NSPs use a combination of shared assets and other assets not providing standard control services. However, shared assets must be used minimally. The unregulated revenues must not be aggregated across multiple unregulated services or across multiple regulatory years.

1.2 Rule change requirements

The SAPS rule change required us to review and amend a number of statutory guidelines to accommodate the inclusion of the regulated SAPS in the NER. On 1 August 2022, we published 6 updated documents to take into account the SAPS rule change. These documents are guidelines that assist DNSPs to deliver outcomes that are in the long-term interest of electricity customers. Our amendments will help all network customers receive the benefits of SAPS becoming part of the national electricity system.

We must also review and where necessary amend and publish our Shared Asset Guidelines accommodating the SAPS rule change by 1 July 2025.[16] In this review we are required to consider how net positive payments from AEMO for SAPS generation should be deducted from the DNSP's annual revenue allowance.[17] The amendments to the shared asset principles are reflected in clauses 6.4.4 and 11.142.5 of the NER and AEMC's final report.[18]

The SAPS rule changes specifically modified the shared asset principles, in clause 6.4.4, to explicitly apply to regulated SAPS. Clause 6.4.4(c)(3) now states, *"a shared asset cost reduction should be applied where the use of the asset other than for standard control services is material* ***or is for the production of electricity for supply in a regulated SAPS that is sold through a market"***.[19] The amended provision reflects that regulated SAPS generation revenue received via payments from AEMO is not subject to the materiality test.[20]

Furthermore, the transitional rule in clauses 11.142.5(c)-(e) introduced additional provisions facilitating the introduction of the SAPS framework. In particular, the AER must deduct regulated SAPS generation revenues from DNSP's annual revenue requirement in the first regulatory year if:[21]

- the SAPS generation systems are included in DNSP's regulatory asset base.
- DNSP's SAPS *net generation revenue* is positive for the previous regulatory control period.

The NER defines *net generation revenue* as:

> *for a SAPS generating system for a period is the total of the trading amounts received under Chapter 3 for electricity from the SAPS generating system in that period less the total of the trading amounts paid under Chapter 3 for electricity consumed by the SAPS generating system in that period.*[22]

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16 NER, cl. 11.142.5(a).
17 NER, cl. 11.142.5(a); 6.4.4(b)-(d).
18 AEMC, *Updating the Regulatory Frameworks for Distribution-led stand-alone power systems: Final Report*, 28 May 2020, pp. 58-59.
19 NER, cl. 6.4.4(c)(3). The bold text indicates the amendments made to the shared asset principle.
20 AEMC, *Updating the Regulatory Frameworks for Distribution-led stand-alone power systems: Final Report*, 28 May 2020, pp. 58-59.
21 NER, cl. 11.142.5(c)-(e).
22 NER, 11.142.1

In having regard to the NER and the AEMC's final report,[23] we have defined the net positive amount a DNSP receives for the production of electricity for supply in a regulated SAPS that is sold through a market as *regulated SAPS net positive generation revenue*.

Therefore, we are setting out how we will deduct *regulated SAPS net positive generation revenue* from a DNSP's annual revenue requirement.

1.3 Consultation

On 14 March 2025, we published our draft decision setting out our proposed amendments to the 2013 Guidelines (draft Guidelines). We sought stakeholder views on:

- our proposed updates to the 2013 Guidelines
- whether there are any additional updates related to the SAPS rule change.

In addition to the changes in relation to the SAPS rule change, we recognised that there are on-going developments as part of the energy transition which may introduce additional revenue streams that a DNSP may earn from assets providing standard control services. This may necessitate us making further changes to the 2025 Guidelines (final Guidelines). Therefore, we also invited stakeholders to make a submission on issues on other prospective changes beyond the draft Guidelines.[24]

Submissions closed on 30 April 2025. We have received 7 submissions from:

1. Ausgrid
2. Endeavor Energy
3. Energy Queensland
4. Essential Energy
5. Justice and Equity Centre (JEC)
6. Nexa Advisory
7. Individual consumer

We appreciate the submissions received and have carefully considered issues raised in drafting our final changes to the 2013 Guidelines as part of the regulated SAPS review. This is discussed in section 2 of this document.

We also note that a number of submissions have raised issues that relate to the need for a broader review. We will have regard to these submissions in any future review. Please see section 3 of this document.

23 AEMC, *Updating the Regulatory Frameworks for Distribution-led stand-alone power systems: Final Report*, 28 May 2020, pp. 59.

24 AER, *Draft Shared Asset Guidelines – Regulated SAPS Review – Explanatory Statement*, 14 March 2025, p. 2.

2 Explanatory Statement

2.1 Final Guideline amendments

We have considered the submissions received on the draft Guidelines, having regard to the AEMC's policy intent for the SAPS rule change. For the final Guidelines, we have only made minor changes from our draft Guidelines:

- clarification of the term '*regulated SAPS net positive generation revenue'* to mean settled revenue rather than reported revenue
- minor editorial amendments.

More broadly, and consistent with our draft Guidelines, the final Guidelines:

- introduce an asset threshold test to identify whether the proposed or existing shared asset is classified as a regulated SAPS (see pages 4, 5 and 7 of our final Guidelines)
- require a separate cost reduction approach to be applied to DNSPs' *regulated SAPS net positive generation revenue*, (see pages 12 and 13 of our final Guidelines). Noting this cost reduction approach is consistent with the transitional rule requirements set out in NER clause 11.142.5.
- clarify that the materiality threshold does not apply to regulated SAPS (see pages 2 and 7 of our final Guidelines).

2.2 Stakeholder views

Stakeholders broadly agreed with the objective of sharing the benefits of the SAPS with consumers.[25] However, stakeholders submitted that our proposed amendments warrant further consideration in relation to our proposed approach for SAPs cost reduction and the interrelationship with the Ring-Fencing Guideline (Distribution).[26] Stakeholder feedback in relation to these two themes is detailed below.

2.2.1 SAPS cost reduction

Reported revenue vs settled revenue: Essential Energy noted that the AEMO may write-off small amounts of *regulated SAPS net positive generation revenue* where the cost of trade is greater than the value of generation revenue. Thus, Essential Energy submitted that the SAPS cost reduction should consider settled revenue rather than reported revenue to account for written-off revenues by the AEMO.[27]

Cost reduction value: DNSPs and JEC submitted that our draft approach to subtract all *regulated SAPS net positive generation revenue* from DNSP regulated revenues does not

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25 Ausgrid, *Submission to AER's Draft Shared asset Guidelines – SAPS Review,* April 2025, p. 2; Endeavour Energy, *Submission to AER's Draft Shared asset Guidelines – SAPS Review,* April 2025, pp. 2-3; JEC, *Submission to AER's Draft Shared asset Guidelines – SAPS Review,* April 2025, p. 2; Nexa Advisory, *Submission to AER's Draft Shared asset Guidelines – SAPS Review,* April 2025, p. 1.

26 Ausgrid, *Submission to AER's Draft Shared asset Guidelines – SAPS Review,* April 2025, p.2; Endeavour Energy, *Submission to AER's Draft Shared asset Guidelines – SAPS Review,* April 2025, p. 2-3; JEC, *Submission to AER's Draft Shared asset Guidelines – SAPS Review,* April 2025, p. 2; Essential Energy, *Submission to AER's Draft Shared asset Guidelines – SAPS Review,* April 2025, pp. 2-3; Energy Queensland, *Submission to AER's Draft Shared asset Guidelines – SAPS Review,* April 2025, p. 3.

27 Essential Energy, *Submission to AER's Draft Shared asset Guidelines – SAPS Review,* April 2025, p. 2.

adequately account for costs incurred by DNSPs in operating and maintaining the regulated SAPS. The operating and maintain costs includes setup costs, administration overheads, communication costs, fuel for backup generator and other related costs.[28]

Materiality: Endeavour Energy, Energy Queensland, JEC submitted that *regulated SAPS net positive generation revenue* below the *generation revenue cap* threshold (as defined in the Ring-Fencing Guidelines) would be immaterial. Thus, they submit that such immaterial revenue should be omitted from the SAPS costs reduction calculation.[29] This can be treated similarly to other unregulated revenues below the materiality threshold in the 2013 Guidelines.[30]

Retrospective cost reduction: Endeavour Energy was supportive of using estimated *regulated SAPS net positive generation revenue* for the final and penultimate year of a regulatory control period where actual data is not yet available.[31] However, Ausgrid considered that the AER should reconcile these estimated amounts because the growing number of SAPS over time may likely introduce financial uncertainty for DNSPs.[32]

Other matters: Ausgrid and Energy Queensland proposed some editorial amendments for clarity.[33] Energy Queensland also requested further clarification on the application of control for SAPS costs reduction.[34]

2.2.2 Interrelationship with Ring-Fencing Guideline (Distribution)

DNSPs and JEC submitted that:

- returning all SAPS generation revenue to customers appears to be inconsistent with the Ring-Fencing Guideline (Distribution) which permit individual DNSPs to provide SAPS generation services up to their allotted revenue limit without a waiver[35]
- the generation revenue cap implies that, where SAPS generation revenues fall below a specified materiality threshold, a DNSP should be permitted to retain these residual revenues – thus, this would minimise the costs administrative costs associated with regulated SAPS[36]

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28 Ausgrid, *Submission to AER's Draft Shared asset Guidelines – SAPS Review,* April 2025, p.2; Endeavour Energy, *Submission to AER's Draft Shared asset Guidelines – SAPS Review,* April 2025, p. 2-3; JEC, *Submission to AER's Draft Shared asset Guidelines – SAPS Review,* April 2025, p. 2; Essential Energy, *Submission to AER's Draft Shared asset Guidelines – SAPS Review,* April 2025, pp. 2-3; Energy Queensland, *Submission to AER's Draft Shared asset Guidelines – SAPS Review,* April 2025, p. 3.

29 Endeavour Energy, *Submission to AER's Draft Shared asset Guidelines – SAPS Review,* April 2025, p. 1-2; JEC, *Submission to AER's Draft Shared asset Guidelines – SAPS Review,* April 2025, p. 3; Energy Queensland, *Submission to AER's Draft Shared asset Guidelines – SAPS Review,* April 2025, p. 3.

30 Endeavour Energy *Submission to AER's Draft Shared asset Guidelines – SAPS Review,* April 2025, pp.1-2; Energy Queensland, *Submission to AER's Draft Shared asset Guidelines – SAPS Review,* April 2025, p. 3.

31 Endeavour Energy, *Submission to AER's Draft Shared asset Guidelines – SAPS Review,* April 2025, p. 2.

32 Ausgrid, *Submission to AER's Draft Shared asset Guidelines – SAPS Review,* April 2025, p. 2.

33 Ausgrid *Submission to AER's Draft Shared asset Guidelines – SAPS Review,* April 2025, p. 3; Energy Queensland, *Submission to AER's Draft Shared asset Guidelines – SAPS Review,* April 2025, p. 3.

34 Energy Queensland, *Submission to AER's Draft Shared asset Guidelines – SAPS Review,* April 2025, p. 3.

35 Endeavour Energy, *Submission to AER's Draft Shared asset Guidelines – SAPS Review,* April 2025, p.2.

36 JEC, *Submission to AER's Draft Shared asset Guidelines – SAPS Review,* April 2025, p. 3.

- regulated SAPS presents an opportunity for networks to improve service quality to remote customers - therefore by retaining some *regulated SAPS net positive generation revenue* will incentivise DNSPs to implement SAPS where it is efficient to do so[37]
- by passing back the AEMO payments to customers through the SAPS cost reduction approach, the generation revenue cap noted in the Ring-Fencing Guideline (Distribution) effectively becomes irrelevant[38]

In contrast, Nexa Advisory submitted that all *regulated SAPS net positive generation revenue* are material and should be reflected in the cost reduction of regulated revenue requirement. This this in line with our draft Guidelines. Nexa Advisory also submitted that that the AER must uphold strong ring-fencing provisions for distribution networks to ensure these solutions can be competitively provided by third parties.[39]

2.3 Reasoning for the amendments

In this section, we have set out our reasoning for our final amendments to the Guidelines.

2.3.1 SAPS cost reduction

Reported revenue vs settled revenue

We accept that there may be instances where the AEMO may write-off small amounts of *regulated SAPS net positive generation revenue* where the cost of trade is greater than the value of SAPS generation revenue. Thus, DNSPs' settled revenue is an accurate representation of the additional revenue from regulated SAPS, rather than reported revenue.

For this reason, we have amended the Guidelines to clarify that the cost reduction will be based on settled *regulated SAPS net positive generation revenue*. Please see section 4, on page 12 of the final Guidelines.

Cost reduction value and materiality

As mentioned above, the SAPS rule change amended Chapter 6 of the NER to classify regulated SAPS as standard control services. This means the regulated SAPS form part of the RAB while also providing a generation service.

Regulated revenues are based on the building blocks for regulated services during a regulatory control period. There are two types of expenditure a DNSP incurs in carrying out regulated services – capital expenditure (capex) and operating expenditure (opex). Capex is the cost of purchasing and installing assets like poles and wires. Opex is the cost of running an electricity network and maintaining the assets.

Because a regulated SAPS is a standard control service, DNSPs will be able to recover regulated revenues for providing, arranging for the provision of, services or facilities (including a generating system) required to supply a customer. Effectively, DNSPs can recover capital and operating expenditure for regulated SAPS as part of their revenue

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37 Endeavour Energy, *Submission to AER's Draft Shared asset Guidelines – SAPS Review,* April 2025, p. 2-3; Essential Energy, *Submission to AER's Draft Shared asset Guidelines – SAPS Review,* April 2025, pp. 5-7, JEC, *Submission to AER's Draft Shared asset Guidelines – SAPS Review,* April 2025, p. 3.

38 Ausgrid, *Submission to AER's Draft Shared asset Guidelines – SAPS Review,* April 2025, p. 3, Energy Queensland, *Submission to AER's Draft Shared asset Guidelines – SAPS Review,* April 2025, p. 3.

39 Nexa Advisory, *Submission to AER's Draft Shared asset Guidelines – SAPS Review,* April 2025.

determination process. For clarity, this includes setup costs, administration overheads, communication costs, fuel for backup generator and other related costs.

Consistent with our Expenditure Forecast Assessment Guidelines, and other relevant guidance notes, DNSPs undertake cost benefit analysis when proposing regulated SAPS. As part of the cost benefit analysis DNSPs are able to consider a range factors, including the potential cost of replacing the assets, operational costs, value of network reliability and other relevant factors.

However, as the regulated SAPS also provide generation services, DNSPs will also recover additional revenues for *production of electricity for supply in a regulated SAPS that is sold through a market*'.[40] The amount that DNSPs recover is described in the NER under Chapter 3. Specifically, NER clause 3.21.3 states how the net amount should be calculated.[41] Therefore, any net positive settled revenue DNSPs receive from selling electricity to the market will be additional to the regulated revenue it recovers.

Furthermore, as per the amendments to the shared asset principles in the NER clause 6.4.4(c)(3), the materiality condition set out in the shared asset principle is not applicable '*for the production of electricity for supply in a regulated SAPS that is sold through a market'*.[42] This is because all revenues that DNSPs earn from regulated SAPS (via the AEMO) is considered material because the DNSP would not have incurred extra cost to earn them.[43]

For this reason, all *regulated SAPS net positive generation revenue* that are settled must be deducted from DNSPs' annual revenue requirement. We also note that this approach to cost reduction is consistent with the NER transitional provision requirements. Our final decision is to extend the transitional arrangements by making them permanent.

Retrospective cost reduction

In instances where actual revenue is not available, we will use an estimate of *regulated SAPS net positive generation revenue* in calculating the SAPS cost reduction. At this stage, as per our draft Guidelines, we do not propose a reconciliation of these estimated values.

We acknowledge Ausgrid's view that a true up mechanism of cost reduction will ensure fairness in the application of the SAPS cost reduction.[44] However, we do not consider that there will be a significant impact from any difference between final year actual and final year estimated *regulated SAPS net positive generation revenue*, especially relative to DNSPs total annual revenue requirement. We also note that any difference between final year actual and forecast will not be significant considering the SAPS generation revenues are based on

40 See NER cl. 6.4.4(c)(3) and AEMC, *Updating the Regulatory Frameworks for Distribution-led stand-alone power systems: Final Report*, 28 May 2020, pp. 59.

41 We acknowledge that there may be instances where SAPS is consuming energy in a bi-directional network system.

42 See NER cl. 6.4.4(c)(3) and AEMC, *Updating the Regulatory Frameworks for Distribution-led stand-alone power systems: Final Report*, 28 May 2020, pp. 59.

43 AEMC, *Updating the Regulatory Frameworks for Distribution-led stand-alone power systems: Final Report*, 28 May 2020, pp. 59.

44 Ausgrid, *Submission to AER's Draft Shared asset Guidelines – SAPS Review,* April 2025, p.2.

a SAPS settlement price which is a fixed price set by AEMO for SAPS generation revenue for each financial year.[45]

Overall, at this stage, we consider that a true up mechanism would increase the complexity of making shared asset cost reductions without providing commensurate benefits. This issue may be reconsidered in the context of a future broader review of the Guidelines.

Other matters

In relation to editorial amendments suggested by Ausgrid and Energy Queensland, we have accepted stakeholders' view. We have also amended the Guidelines to note that the control mechanism is not relevant for the SAPS costs reduction.

2.3.2 Interrelationship with Ring-Fencing Guideline (Distribution)

Generation revenue cap and interactions with the Ring-Fencing Guideline (Distribution)

In November 2021, we revised the Ring-Fencing Guideline (Distribution) to accommodate the SAPS rule change.[46] Our changes to the Ring-Fencing Guideline (Distribution) introduced a broader exemption to allow DNSPs to provide generation services through regulated SAPS. But we also introduced a generation revenue cap to limit a DNSP's footprint in the contestable market for generation services. The generation revenue cap is a guard-rail that maintains a level playing field for third party SAPS providers while allowing DNSPs to provide regulated SAPS and preventing DNSPs from foreclosing competition in the market for generation services.

While the generation revenue cap defined in the Ring-Fencing Guideline (Distribution) limits the extent to which DNSPs can provide regulated SAPS, the Shared Asset Guidelines provide the mechanism to allocate the unregulated revenues (including *regulated SAPS net positive generation revenue*) earned by DNSPs through various contestable activities.

We do not consider that the generation revenue cap (as defined in the Ring-Fencing Guideline) implies that DNSPs should be permitted to retain SAPS revenues (earned from the sale of electricity). These are two separate regulatory interventions with distinct purposes.

The Ring-Fencing Guideline (Distribution) is relevant to competition in the SAPS market. In that context, the generation revenue cap balances the risk of networks negatively impacting potential competitive SAPS markets through deployment of regulated SAPS generation services. Whereas the Shared Asset Guidelines relate to how to treat the additional revenue earned from provision of regulated SAPS. The current SAPS update to the Shared Asset Guidelines, the subject of this process, removes from DNSPs the revenue they earn from selling electricity via regulated SAPS, and provides that revenue to customers in the form of lower network tariffs.

More broadly, the regulatory framework provides DNSPs with financial incentives to undertake effective option analysis to consider where it may be more cost effective to use

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45 Please see the definition in the NER cl. 3.21.3.

46 AEMC, Updating the regulatory frameworks for distributor-led stand-alone power systems, 28 May 2020, p 4.

regulated SAPS (i.e. as an alternative to grid connected distribution networks). Like any other network service solution, DNSPs are given opportunity to recover their efficient costs of providing SAPS, through regulated tariffs for standard control services. As DNSPs only earn network revenues from non-SAPS regulated assets, the rules and the AEMC's final report imply that DNSPs should also earn only network revenues from use of SAPS regulated assets.[47] The final Guidelines simply give effect to the AEMC's policy intent.

Future ring-fencing waivers related to generation services

Nexa Advisory submitted concerns about the ring-fencing waiver we granted in 2024 for behind the meter services (including solar generation) in isolated regions of Queensland.[48]

In response, we note that the behind the meter waiver referenced by Nexa Advisory is a unique case of co-design for people in isolated communities. The waiver is limited to specific isolated communities and is distinct to networks providing generation services through SAPS. The waiver allows Ergon Energy to replace existing diesel generation with another form of generation for a limited period of time. We granted the behind the meter waiver with conditions for greater monitoring and reporting by Ergon Energy.

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47 NER cl. 6.4.4(c)(3); also see AEMC, Updating the regulatory frameworks for distributor-led stand-alone power systems, 28 May 2020, p 58-60.

48 Nexa Advisory, *Submission to AER's Draft Shared asset Guidelines – SAPS Review,* April 2025.

3 Broader review

We recognise that the Shared Asset Guidelines have not been updated since 2013.

Stakeholder submissions indicated that we should consider the following matters in a broader review:

- the limited customer benefit under the 2013 Guidelines, as customers only receive 10% of unregulated revenues earned via regulated assets[49]
- the evolving role of DNSPs with the rise of consumer energy resources in a two-sided energy market[50]
- transparency of critical network data, including locational information[51]
- the evolving roles of DNSPs in providing community batteries, network control assets, and kerbside network assets for EV charging infrastructure[52]
- SAPS customers having an option of being charged network tariffs directly by a DNSP rather than through retailers[53]
- potential regulatory changes (ring-fencing obligations, cost allocation and service classification) to better promote the interests of customers, rather than the use of ring-fencing waivers[54]

We appreciate the submissions we have received on these issues. They will help inform the scope of any future review. We will keep stakeholders informed of any developments via the AER website.

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49 Essential Energy, *Submission to AER's Draft Shared asset Guidelines – SAPS Review,* April 2025, pp. 4-5.
50 Endeavour Energy, *Submission to AER's Draft Shared asset Guidelines – SAPS Review,* April 2025, p. 3.
51 Nexa Advisory, *Submission to AER's Draft Shared asset Guidelines – SAPS Review,* April 2025, p. 2.
52 Endeavour Energy, *Submission to AER's Draft Shared asset Guidelines – SAPS Review,* April 2025, p. 3.
53 JEC, *Submission to AER's Draft Shared asset Guidelines – SAPS Review,* April 2025, p. 1
54 JEC, *Submission to AER's Draft Shared asset Guidelines – SAPS Review,* April 2025, p. 2.