

Initiation notice – Essential Energy training waiver

Assessment for a distribution ring-fencing waiver for Essential Energy to offer training services and to operate a training academy in regional NSW.

Essential Energy has submitted an application to the AER seeking to waive several obligations under the Ring-fencing Guideline (electricity distribution) ('the guideline'). If granted, this waiver would allow Essential Energy to offer several training courses to the market and establish a training academy. The training would focus on skills needed for renewable energy integration, including two Certificate IV courses in Substations and Network Systems from late 2025, ahead of a dedicated training facility opening in Tamworth in 2027. The AER seeks stakeholder feedback on Essential Energy's ring-fencing waiver application, including the likely benefits and risks should the waiver be granted. We seek your submissions by 5 September 2025.

Background

Ring-fencing, in relation to distribution network service providers (DNSPs), refers to the separation of distribution services provided by a DNSP from the provision of unregulated or contestable services by a DNSP, or an affiliated entity. Ring-fencing operates to separate regulated activities from competitive business activities to support competitive markets. The guideline:

- prevents DNSPs from using funding from their regulated network business to support services they offer in competitive markets
- prevents DNSPs from giving themselves or their affiliated businesses an unfair advantage in competitive markets
- ensures DNSPs keep confidential information they have as a monopoly provider separate and don't share it with affiliated businesses in a way that could give them an advantage
- ensures a level playing field for other providers by requiring that, if a DNSP is allowed to offer contestable services under a waiver, it doesn't gain an unfair advantage over competitors.

Essential Energy's proposal

Essential Energy is seeking a waiver from the guideline's prohibition on it providing contestable training services to external parties. Under the guideline, DNSPs are prohibited from providing these services, which are not classified as distribution services.. If DNSPs wish to provide these services, they must have a waiver from the requirement for them to be provided by a legally separate entity (clause 3.1(b)) and functional separation requirements covering staff, office space and branding (clause 4.2).

Essential Energy is already a registered training organisation (RTO) and provides training to its own staff and independent contractors. Essential Energy proposes to expand its training services and offer these to external trainees. It plans to launch the academy by 2027 that will address critical skills shortages in regional NSW, particularly in Renewable Energy Zones, such as Central-West Orana and New England.

Essential Energy proposes a transitional arrangement to commence with two Certificate IV courses from late 2025, ahead of launching the academy in 2027. The training academy is proposed to operate as a separate business unit within Essential Energy, with its own standalone accounts and funding sourced from NSW TCorp, student fees, and corporate sponsorships. Essential Energy is seeking that the ring-fencing waiver be granted until 30 June 2034.

Understanding the benefits and risks associated with the waiver application

In its application, Essential Energy notes that the key purpose of this waiver is to address unmet demand for skilled electricity workers in regional NSW. The AER understands that the training courses that Essential Energy is seeking to offer to the market are regulated under the national industry skills framework, to ensure the skills and the training are consistent nationally to enable mobility of labour and increase the potential pool of workers for DNSPs. The application specifies that:

- the academy will assist in developing the skilled workforce (by alleviating about 10% of skills gap) needed for the delivery of NSW's 3GW REZ capacity
- the academy will upskill its workforce, train prospective employees and provide economic opportunities to First Nations communities
- this aligns with the National Electricity objective by supporting transition to a reliable, safe and low-cost energy system
- a more principles-based waiver would provide flexibility to design and update training content rapidly in line with emerging technologies.

Essential Energy's application notes the training required by the market may change over time in terms of courses and locational requirements and has proposed a more flexible approach to the waiver to manage this uncertainty. The AER is seeking to understand the risks associated with:

- Essential Energy's presence in this training market, which may impact other providers
- potential discrimination in favour of Essential Energy's affiliated services, undermining competitive neutrality and creating barriers for other market participants
- the uncertainty around future demand for a skilled energy workforce – both in the short and long term, and how fluctuations in this demand may affect the viability and responsiveness of other training providers entering or remaining in the market
- granting a waiver duration until 30 June 2034, including the potential for long-term market distortion, reduced competitive neutrality as markets evolve and diminished regulatory flexibility to respond to future developments.

Stakeholder consultation

We are seeking feedback from stakeholders on Essential Energy's waiver application, in particular we'd like to understand the following:

1. How the nature, scope and duration of the waiver is likely to affect other providers offering similar training services.
2. The dynamics of the training service market, existing players, impact on competition and the demand for skill training in regional areas, including the evolving market needs for training courses.
3. The benefits, or likely benefits, in terms of economic opportunities, enhancing safety and workforce capability in underserved areas, in relation to community development and for development of renewable projects.
4. Any concerns associated with potential risks such as discrimination, competition in the short and long term.

Given the facility is not expected to open until 2027, we would like to understand if it is beneficial to consider impacts on market competition, skill demand and supply more closer to the launch of the academy rather than the forecast of risks and benefits available now. We recognise that demand for and supply of these training services in the regional NSW region may change between now and 2027, which may impact the claimed benefits of the waiver being sought. The AER is seeking stakeholders' feedback to help inform our assessment of the waiver application and the proposed duration of the waiver.

Stakeholders are invited to provide written submissions to [AERringfencing@aer.gov.au](mailto:AERringfencing@ aer.gov.au) by **Friday 5 September 2025**.

We prefer that all written submissions be publicly available to facilitate an informed and transparent consultative process. Submissions will be treated as public documents unless otherwise requested.

Parties wishing to submit confidential information should:

- clearly identify the information that is the subject of the confidentiality claim
- provide a non-confidential version of the submission in a form suitable for publication.

All non-confidential submissions will be published on our website.

Timing

The proposed timing for our decision is:

- 5 August 2025 – Publication of Essential waiver application and Initiation notice
- 5 September 2025 – Submissions close
- Late September 2025 – AER's decision on the waiver

For more information

For more information, see [Ring-fencing](#) or email the AER ring-fencing team at AERringfencing@aer.gov.au.

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