

# Consultation – potential conditions and duration if the AER decides to grant Ergon Energy a ring-fencing waiver to provide distribution and generation services in QLD’s isolated networks

## Background

On 4 March 2025, Ergon Energy Corporation Limited (Ergon Energy) applied to the AER for a waiver from the [Ring-fencing Guideline \(Electricity distribution\)](#) (the guideline). This is to replace an [existing waiver](#) that expired on 30 June 2025, which allowed Ergon Energy to provide distribution and generation services in non-NEM connected isolated communities, in remote areas of Queensland. These services are provided by 33 isolated power stations, predominantly diesel-fired, which support 39 communities. Ergon Energy also has 35 stand-alone networks that provide distribution services for isolated communities.

On 30 June 2025, the AER granted Ergon Energy an [interim waiver](#) from the obligations under clauses 3.1(b) and 4.2 of the guideline, to enable it to continue providing distribution and generation services in the isolated networks in remote Queensland. The interim waiver was granted to provide continuation of supply while the AER assesses Ergon Energy’s waiver, including what the duration and conditions for such a waiver should be, if the decision is to grant a waiver.

The interim waiver will expire on 30 November 2025, by which time the AER aims to have made a final decision on Ergon Energy’s waiver application.

## Understanding the risks associated with the waiver application

The AER is consulting on the appropriate waiver conditions and duration that could be applied to this waiver (if the waiver is granted), to address concerns we have heard from stakeholders regarding Ergon Energy’s connection processes for third parties in its isolated networks. We have heard concerns from third parties seeking to develop alternate, renewable generation sources, about the lack of transparency over connection requirements, performance reporting, and network visibility, which hinders their ability to deliver projects in remote parts of Queensland.

Through the public consultation process between 16 April 2025 to 12 May 2025, the AER received one submission from First Nations Clean Energy Network which raised concerns with this waiver. The AER also held further bilateral consultations with stakeholders. Through

this process, we have heard the following concerns regarding Ergon Energy's service provision in the isolated networks:

- Lack of transparency over the available network capacity (constraints, loads and hosting capacity), calculation method, and network development plans;
- Lack of transparency over standards and processes for connection requests;
- A lack of public reporting on service performance (such as on frequency and duration of blackouts);
- Lack of clarity over Ergon Energy's obligations over consumer protections and connection requests, whereby residential and business consumers have limited understanding over their rights for connecting distributed energy resources and service delivery standards.

The AER is consulting on a range of potential conditions if this waiver is granted to mitigate the concerns raised by stakeholders. The potential waiver conditions, and associated considerations regarding benefits and costs are listed in Table 1. The AER notes that this list is subject to consultation feedback and may change accordingly. If the AER is to grant Ergon Energy this waiver, the AER may choose to impose some, or all of the waiver conditions listed below, in-addition to other conditions based on stakeholder feedback received from this consultation. In consider the waiver conditions, the AER will account for the potential benefits to competition in the long-term interests of consumers, as well as the likely regulatory burden on Ergon Energy to comply. In determining the appropriateness of the waiver conditions in addressing the stakeholder concerns, we will also have regard to whether these conditions support a waiver duration of a longer or shorter period, if granted.

We have included questions in the table where we are seeking specific stakeholder feedback. In providing feedback, please provide a clear explanation as to why you believe the condition is appropriate and supporting evidence where possible.

**Table 1 - Potential conditions the AER could place on Ergon Energy if the waiver is granted**

#	Potential condition	Considerations
1	<p>A requirement to publish technical and performance standards for third-party connection requests and connection request assessment timeframes, that aligns with, and are no more onerous, than those that would apply to Ergon Energy's network outside of the isolated networks.</p> <p>As part of this, Ergon Energy should publish the relevant parts of regulations/legislation that govern distributed energy resources (DER) connections in Ergon Energy's isolated networks.</p>	<p>The purpose of this condition is to improve the transparency of Ergon Energy's requirements for third-party connection requests to their network. This potential waiver condition would require Ergon Energy to publish their connection request protocol, to provide clarity and transparency over the connection request process. This would create greater certainty to third parties on how to make connection requests and what Ergon Energy's obligations are.</p> <p>The reason for this potential condition is in response to stakeholder concerns that for connection requests in isolated networks,</p>

		there is lack of transparency over the assessment (in particular, technical and performance standards) and timeframes, and that any requests are funnelled into an ambiguous “special request” process.
2	A requirement to report to the AER details of any disputes in relation to connection requests, as part of Ergon Energy’s Annual Compliance Report (ACR). The details should include, on a confidential basis where necessary, the name and contact information for the disputing party, a brief outline of the nature of the dispute, a statement of whether the dispute has been resolved. And if not resolved, the actions proposed to resolve the dispute.	<p>The purpose of this condition is to give the AER visibility over disputes in-relation to connection requests, and to consider any appropriate redress within the AER’s power.</p> <p>The reason for this potential condition is in response to stakeholders concerns that there are no dispute oversight channels available to them should a dispute occur.</p>
3	A requirement for Ergon Energy to include in its ACR information on any third-party connection requests received for isolated networks, and the connection timeframes. This should include justification for denying a connection request or where an existing connection is modified.	<p>The purpose of this condition is to improve the transparency to the AER about Ergon Energy’s network decisions in whether to grant connection requests for third-party renewable energy systems.</p> <p>Stakeholders have raised concerns about ambiguity in Ergon Energy’s “special request” process that are applied to connection requests in isolated networks. Stakeholders have experienced extensive delays in receiving a response to requests, which adds to investment uncertainty and administrative costs for stakeholders.</p> <p>This condition helps provide transparency to the AER about Ergon Energy’s processing of connection requests in the isolated networks, including reasons for and issues causing delays in assessments, the reasonableness of any rejected requests, and rationale – e.g. that exports from the generator would cause Ergon Energy to not meet its obligation to maintain the network within its technical limits; or that the cost of augmenting the network asset to allow a reasonable export capacity outweighs the benefit from providing additional export capacity (which</p>

		includes reducing the reliance of residents in the remote areas of Queensland on Ergon Energy's networks).
4	<p>A requirement to include in the ACR the performance of Ergon Energy's electricity services to its customers in the isolated networks, including the frequency and duration of blackouts</p>	<p>The purpose of this condition is to improve the transparency of Ergon Energy's electricity service performance to residents in the isolated systems.</p> <p>Stakeholders have raised concerns that there is a lack of visibility over the performance of Ergon Energy's electricity services provision to retail customers in isolated networks. This leads to adverse customer outcomes where there is no public transparency over the quality and reliability of service in the isolated networks.</p> <p>This condition aims to increase transparency on the quality of Ergon Energy's services in isolated networks, ensuring security of electricity supply to consumers in isolated networks. This would help third parties know where to focus their efforts to improve services for customers in isolated networks. It would also help government bodies, like the AER, assess whether Ergon Energy is meeting community needs in those areas.</p>
5	<p>Improve network visibility for third-parties, to support targeting and planning of renewable energy projects in the isolated systems. These include requirements for Ergon Energy to:</p> <ul style="list-style-type: none"> <li>• Publish, maintain and update to remain current a publicly available report on the Ergon Energy website detailing the available hosting capacity for DER in each isolated network (expressed in kVA). This should include information on network demand and planning that may impact on available or future hosting capacity, such as where there are plans or investments being</li> </ul>	<p>The purpose of this condition is to ensure stakeholders have access to information to support their connection requests in isolated networks – such as on information on network demand, future network development plans and investments, or when and where there are constraints including during minimum demand periods.</p> <p>Currently as part of Ergon Energy's <a href="#">behind-the-meter waiver</a>, Ergon Energy is required to publish, maintain and update a publicly available report on the available capacity in each isolated network for hosting solar PV installations, including the available hosting capacity and the available dynamic solar capacity.</p>

	<p>made for relieving or can impact on identified network constraints.</p> <ul style="list-style-type: none"> <li>When hosting capacity is limited or curtailed in isolated networks, Ergon Energy should make publicly available justification for these constraints – either by way of online publication or upon request.</li> </ul>	<p>This proposed condition builds upon the existing behind-the meter waiver condition, to improve the visibility of Ergon Energy’s available network hosting capacity for energy exports, including on existing energy demand on its networks, future network plans or investments that may assist third-parties in planning and targeting renewable energy projects.</p> <p>We note that third parties have expressed concern that currently Ergon Energy’s hosting capacity assessments have potentially been undertaken in an overly conservative manner that does not apply best practice for calculating available hosting capacity. The AER’s position is that hosting capacity assessments should be transparent and robust to avoid DNSPs taking an overly conservative approach to calculating hosting capacity which leads to underutilisation of the network.<sup>1</sup></p> <p><b>Question: We are seeking stakeholder views on:</b></p> <ul style="list-style-type: none"> <li><b>if and how Ergon Energy could improve visibility, and robustness, of its hosting capacity assessments, including any hosting capacity calculation methodology that Ergon Energy should be using.</b></li> <li><b>feedback on the frequency and method by which information on hosting capacity constraints should be communicated.</b></li> </ul>
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<sup>1</sup> For example, the AER’s [Export Limit Guidance Note](#) sets out capacity calculation principles that should guide a DNSP’s methodology for calculating hosting capacity.

## Stakeholder consultation

We thank stakeholders for their continued engagement in this waiver. We are seeking feedback from stakeholders on the above potential conditions that the AER are considering for Ergon Energy's isolated networks waiver. In addition to specific questions contained within Table 1, we'd like to understand the following:

1. Which conditions in Table 1 do you believe are or are not fit for purpose? Why? We encourage stakeholders to provide clear explanation and supporting evidence where possible.
2. Are there other conditions the AER should consider including if the waiver is granted?

Stakeholders are invited to provide written submissions to [AERringfencing@aer.gov.au](mailto:AERringfencing@aer.gov.au) by **Thursday 18 September 2025**.

We prefer that all written submissions be made 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.

### For more information

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