Call for input

Review of the Ring-fencing guideline (electricity distribution) v4 and Shared Asset Guideline v2

June 2026

AUSTRALIAN ENERGY REGULATOR

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1 Executive Summary

This call for input sets out the Australian Energy Regulator's (AER's) proposed approach to undertake a joint review of the Ring-fencing guideline (electricity distribution) version 4 and the Shared Asset Guideline version 2 ('the guidelines'). We invite stakeholders' views on our proposed scope and approach to the review.

The review is being undertaken in the context of rapid change in distribution networks, including growth in consumer energy resources (CER), new technologies and business models, and increasing interaction between regulated network functions and contestable markets. We recognise that the guidelines were designed to meet the challenges and concerns at the time they were developed. For example, the Ring-fencing guideline (electricity distribution) established a detailed framework for how DNSPs must separate regulated distribution services (those services for which the price or revenue that the DNSP can earn are set by the AER or through the National Electricity Rules (NER)) from other services that the DNSP or their affiliates provide. The Ring-fencing guideline (electricity distribution) specifies how DNSPs must establish boundaries between provision of these different types of services through legal, accounting and functional separation. As the market has evolved, ring-fencing has become increasingly relevant to how DNSPs separate direct control distribution services from other distribution services and other services, particularly where new technologies or business models create closer links between regulated network activities and contestable markets.

For the Shared Asset Guideline, the underlying purpose remains to ensure that consumers receive an appropriate share of benefits where assets funded through regulated revenues are used to provide other services. However, the range of technologies and services that may generate unregulated revenues from shared assets has broadened in response to technological and market developments. Although both guidelines have been amended incrementally over time, they have not been holistically reviewed since their introduction.

Stakeholders have called for a broader review of the guidelines in previous consultation processes, including a limited scope review of the Ring-fencing guideline (electricity distribution) in 2024/25 and a review of the Shared Asset Guideline with respect to stand-alone power systems (SAPS) in 2025. Stakeholders raised concerns that some obligations in the guidelines are ambiguous or difficult to apply to emerging scenarios. Stakeholders also described network practices that appear inconsistent with the intent of the guidelines, even where those practices may not be captured by the guideline as currently drafted. Stakeholders also questioned whether the guidelines provide appropriate incentives for DNSPs to use regulated assets and capabilities in ways that support efficient consumer outcomes, while preserving competitive neutrality and protecting against cross-subsidisation and discrimination. Together, these issues suggest there may be areas where the guidelines do not fully translate policy intent into obligations that operate effectively in practice.

We note that ring-fencing is being considered in the context of the Australian Energy Market Commission's (AEMC's) Electricity Network Regulation Review (ENRR) and related rule change proposals that would change what services DNSPs are allowed to provide, including proposals on strengthening ring-fencing protections and on public EV charging infrastructure. The AER is considering carefully how to align the scope and timing of this guidelines review with the ENRR. Where issues can be addressed through changes to the guidelines, we propose to progress them through this review; where issues are better addressed through rules, service classification or other broader regulatory settings, we will seek to complement and support those external processes.

The AER proposes to focus the scope of this review on issues that have widespread stakeholder concern, have the potential to reduce overall efficiency, causing harm to consumers and can be addressed through changes to the guidelines. For ring-fencing, this includes the effectiveness of current obligations relating to non-discrimination, shared staff and offices, branding and promotions, and information access and disclosure. It also includes how the Ring-fencing guideline (electricity distribution) applies where DNSPs or their related electricity service providers are involved in different types of distribution services, the treatment of dual function assets, the waiver decision-making framework, and opportunities to improve reporting and clarity. For shared assets, this includes the treatment of unregulated revenues earned by DNSPs from shared assets, the interaction between shared asset revenue adjustments and ring-fencing obligations, the clarity and proportionality of reporting requirements, and whether the framework remains fit-for-purpose as distribution assets are increasingly used to provide multiple services.

The review will not consider changes to the NER or legislation, nor service classification questions about what services DNSPs should be permitted to provide, as these questions will be considered as part of the AEMC's ENRR. The AEMC has confirmed that package 1 of the ENRR will consider the scope of monopoly regulation, service classification, ring-fencing, the treatment of multi-use assets, including potential changes to cost allocation and shared asset arrangements, and whether connections and facility access arrangements create barriers to entry in contestable markets. Additionally, the AEMC has confirmed that package 1 will start to consider, at a principles level, the rule change proposals from Nexa Advisory and Energy Networks Australia[1].

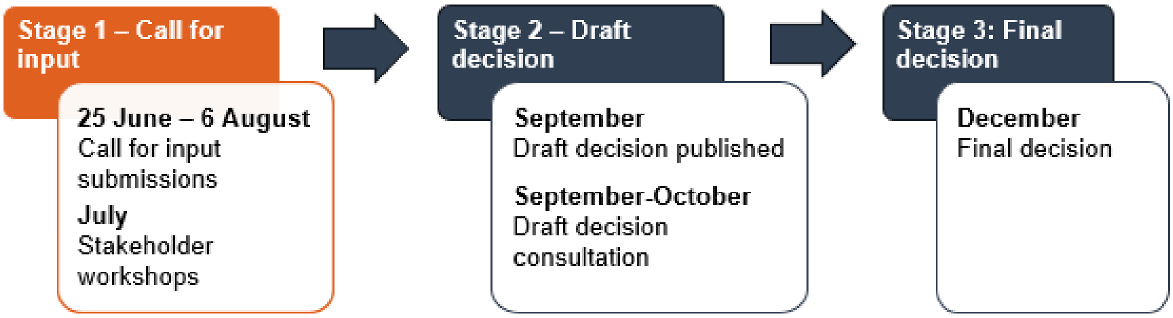
The AER is working closely with the AEMC to align the scope of the Ring-fencing guideline (electricity distribution) review with the ENRR. We will identify opportunities to address issues in the current ring-fencing regulatory framework via the guidelines review, while noting that some issues may require rule changes and will need to wait to be considered via the AEMC's rule change processes. We consider that there are many stakeholder concerns that the AER can consider through the guidelines review more quickly, including some of the issues raised in Nexa Advisory's rule change proposal.

We note that recommendations from the ENRR may have implications for which services DNSPs can deliver. Our review will ensure that the Ring-fencing guideline (electricity distribution) can support any changes and clearly sets out the functional, legal and accounting separation obligations, which establish the 'ring-fence' between DNSPs provision of direct control services and provision of any other services.

[1] Nexa Advisory's rule change proposes to strengthen ring-fencing protections in the NER, including the conditions under which DNSPs may participate in contestable markets and the operation of waiver and transparency arrangements. Energy Network Australia's rule change proposes to allow DNSPs to install, own and lease out public EVCI as direct control services, which would allow them to recover costs via the RAB.

1.1 Timeline

The review will proceed 3 stages, commencing with stage 1 upon publication of this call for input. We will engage with stakeholders throughout stage 1, hold stakeholder workshops in July and request any stakeholder submissions to the call for input by 6 August 2026. We aim to then publish our draft decision in September 2026 for stakeholder consultation. We are aiming to publish a final decision in December 2026. We will take a targeted and efficient approach to engagement to support meaningful input while recognising the number of concurrent consultations and reform processes across the sector.



1.2 Register for updates or a stakeholder workshop

Stakeholders are encouraged to register for updates on the review and to attend a stakeholder workshop via the following form:

Register for a stakeholder workshop

1.3 How to respond to this call for input

Stakeholders are encouraged to provide their feedback on the call for input via the call for input submission form

The call for input consultation will open on **25 June 2026** and close on **6 August 2026**. Stakeholders may submit or update their views at any time during this period. The survey will remain open throughout the stakeholder workshops planned for late July, allowing stakeholders to provide their response after the workshops or update an earlier response.

Responses will be treated as public unless otherwise requested. For further information regarding the AER's use and disclosure of information provided to it, see the ACCC/AER Information Policy available on the AER's website. All responses will be anonymised and published on the AER website in July 2026. Parties wishing to submit confidential information are requested to:

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

If you would like to meet with us to discuss issues raised in this call for input, please contact the AER Ring-fencing team at AERringfencing@aer.gov.au.

2 Background

As the energy system becomes more decentralised, and new technologies and service models emerge, determining the boundary between direct control services and other services is becoming more complex. Services such as EV charging infrastructure, community batteries, and flexibility or orchestration services often involve assets and capabilities that can deliver multiple value streams across both regulated and competitive domains, raising complex questions about transparency, cost allocation, and the appropriate sharing of benefits with consumers.

Under the NER 'distribution services' are defined as services provided by means of, or in connection with, a distribution system. This is a wide formulation that could capture a broad and evolving range of activities that a DNSP or its affiliates may undertake. As the range of activities associated with the network expands, this has practical implications for service classification, ring-fencing and the treatment of shared assets.

At the same time, DNSPs' monopoly position gives them access to infrastructure, information and operational capabilities that may support efficient system outcomes, but may also be leveraged, directly or through affiliates. In this context, it can be difficult to distinguish between activities that should be undertaken as part of a DNSP's regulated functions, activities that should be subject to ring-fencing controls, and activities where consumers should share in the benefits from the use of regulated assets to earn unregulated revenues.

As the role of distribution networks continues to evolve, it is important to consider whether the guidelines remain fit for purpose. In particular, this includes whether, as the energy system evolves, the guidelines continue to support the National Electricity Objective (NEO) by clearly separating the functions of DNSPs and promoting the transparent and efficient use of regulated assets in the long-term interests of consumers.

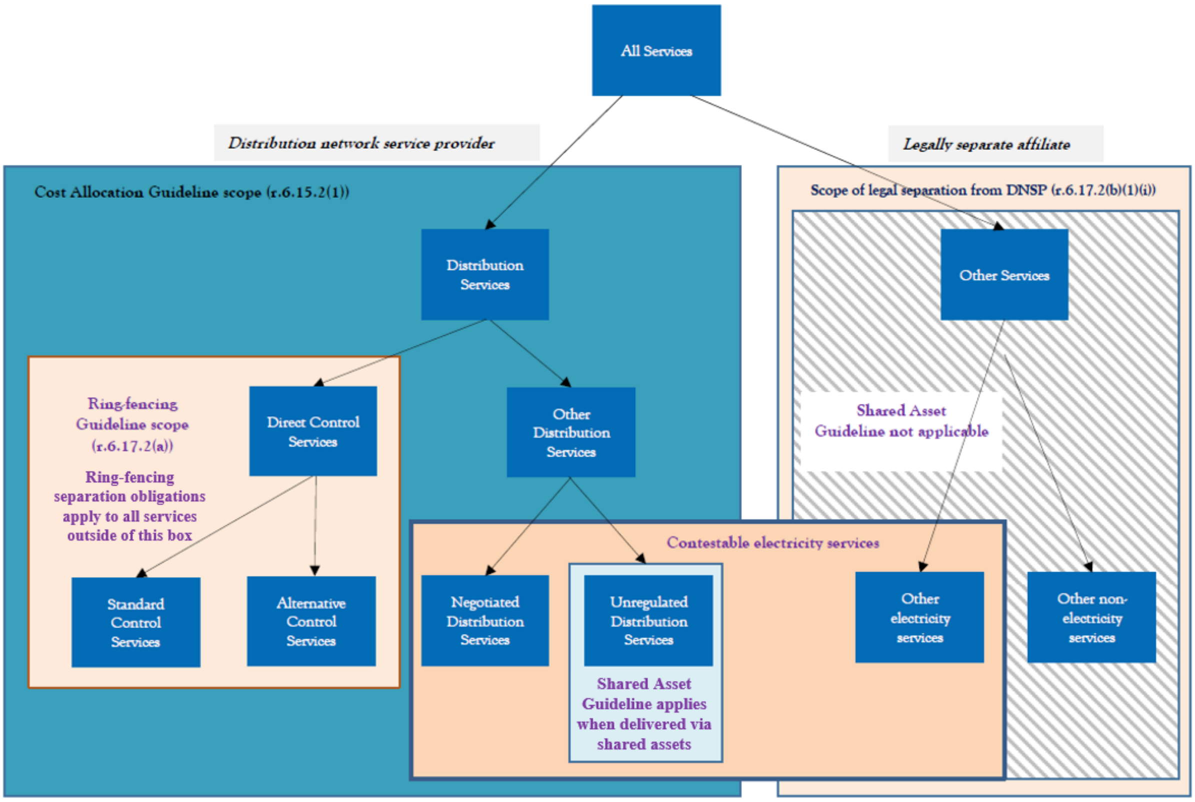
The following sections provide context on how the guidelines operate and how the ongoing evolution of distribution services is impacting the operation of the guidelines. This includes service classification, increasing CER uptake, DNSPs' growing role as platform operators and market participants, and potential future DSO functions. Together, these developments help explain the pressures on the current guidelines and where targeted changes may be needed.

2.1 What is ring-fencing?

Ring-fencing refers to the separation of direct control services from other services provided by a DNSP or its affiliates. The guideline governs the terms on which DNSPs may provide other services and the obligations that apply when they do.

Direct control services are distribution services that are economically regulated by the AER because they are generally provided under monopoly conditions. Under the NER, direct control services are further classified as either standard control services or alternative control services. The NER then refers to other services, which covers all services that are not direct control services. However, the Ring-fencing guideline (electricity distribution) breaks the concept of other services into 2 types: other distribution services, which includes negotiated distribution services and unregulated distribution services, and other services, which includes other electricity services or other non-electricity services. The Ring-fencing guideline (electricity distribution) treats other distribution services and non-electricity services as contestable electricity services. The figure below sets out how these service types are considered under the guidelines.

Figure1 Distribution services and regulatory treatment



The objectives articulated in our current Ring-fencing guideline (electricity distribution) are to support accurate cost allocation between direct control services and other services, prevent cross-subsidisation, and prevent DNSPs from leveraging their regulated monopoly position in ways that distort competition where it exists or could emerge. Ring-fencing helps to provide a level playing field for third-party providers in markets adjacent to the regulated network and supports increased choice for consumers. Ring-fencing aims to promote efficiency by preventing DNSPs and their affiliates from using their advantages as monopolies to undermine competition.

We regulate to promote economic efficiency in order to maximise the welfare of Australians. We do so in the long-term interests of electricity consumers, as articulated in the National Electricity Objective.[2]

Current ring-fencing obligations aim to promote a level playing field by reducing the risks of cross-subsidisation and discrimination, so that competitive markets can develop and deliver

[2] The National Electricity Objective is to promote efficient investment in, and efficient operation and use of, electricity services for the long-term interests of consumers of electricity

better long-run outcomes for consumers. These risks arise from the integration of monopoly and non-monopoly activities within a DNSP (or its corporate group):

- Cross-subsidisation risk: ring-fencing imposes legal and accounting separation requirements to address the risk of DNSPs using revenue earned from the provision of direct control services to subsidise the provision of other services. This risk arises whether or not the other service is provided in a contestable market.
- Discrimination risk: ring-fencing imposes functional separation requirements to address the risk of DNSPs discriminating in favour of their related electricity service providers or affiliated entities. For example, through preferential access to network information, customer relationships or operational systems derived from the regulated business.

These risks are managed through the legal, accounting and functional separation obligations in the guideline. Legal separation limits the services a DNSP may provide within the same legal entity. Accounting separation requires DNSPs to establish and maintain accounts, allocate and attribute costs appropriately, and keep records that demonstrate compliance. Functional separation includes obligations relating to non-discrimination, offices, staff, branding and promotions, information access and disclosure, and the conduct of service providers. Together, these obligations are intended to prevent cross-subsidisation, prevent DNSPs from conferring a competitive advantage on related electricity service providers, and ensure ring-fenced information is handled appropriately.

The NER requires the AER to develop the guidelines governing the accounting and functional separation of direct control services from other services provided by DNSPs. The NER also obliges all DNSPs to comply with the guideline, which can include the ability to gain a waiver from ring-fencing obligations.

Since its introduction in 2016, we have made incremental amendments to the distribution Ring-fencing guideline (electricity distribution). In 2017, version 2 introduced clarifications to improve workability and address unintended consequences, including changes to definitions as well as refinements to emergency response and information disclosure provisions. In 2021, version 3 introduced new class waiver arrangements allowing the AER to consider common waiver issues across multiple DNSPs through a single process. It also introduced new arrangements for SAPS and energy storage devices, refined the treatment and disclosure of ring-fenced information, strengthened reporting and register requirements, and updated waiver and transitional provisions. Most recently, version 4 (2025) made two changes to the guideline, including providing the AER with greater flexibility in determining the duration of ring-fencing waivers and standardising the way in which DNSPs submit annual compliance reports.

2.2 What are shared assets?

Shared assets are assets used to provide both regulated services and unregulated services. For distribution networks, this generally refers to an asset that is funded through regulated revenues for the provision of standard control services and is also used to provide another service that is not regulated by the AER. A common example is a power pole that is paid for by electricity consumers but also used to support telecommunications infrastructure.

The purpose of the Shared Asset Guideline is to ensure consumers receive an appropriate benefit where regulated assets are also used to earn unregulated revenue. Without a shared asset mechanism, DNSPs could recover the cost of an asset from regulated consumers while also earning additional revenue from its use for unregulated services. The Shared Asset Guideline addresses this by setting out how the AER may reduce a service provider's regulated revenue to reflect the portion of a shared asset's costs recovered from users of unregulated services. This helps avoid regulated consumers continuing to fund costs that are also recovered through unregulated activities.

The Shared Asset Guideline is therefore concerned with ensuring regulated consumers do not continue to bear asset costs that are also recovered from users of unregulated services. It sits alongside, but performs a different role to, ring-fencing. Ring-fencing focuses on preventing cross-subsidisation and discrimination between regulated services and other activities. The shared asset framework focuses on whether consumers should receive a revenue adjustment where assets funded through regulated charges are also used to generate unregulated revenue.

Since its introduction in 2013, the Shared Asset Guideline has only been updated once, in 2025. That update reflected changes to the NER, including those relating to SAPS, and clarified aspects of how revenues from the use of shared assets should be treated under the framework. As the role of distribution assets continues to expand and the system becomes increasingly decentralised, it has become more complex to identify when an asset is being used to provide both regulated and unregulated services, how costs and revenues should be attributed, and how benefits should be shared with consumers. It is important to consider whether the guideline remains fit for purpose and continues to support transparent, efficient and consumer-focused use of regulated assets.

2.3 Considerations in a decentralised electricity system

Service classification

Service classification is how the AER determines the type of economic regulation applying to electricity distribution services provided by DNSPs. It determines whether a service is regulated, the cost-recovery approach, and whether it must be ring-fenced from other DNSP services. Chapter 6 of the NER requires the AER to determine whether a distribution service should be classified and, if so, whether it is to be classified as a direct control service or a negotiated distribution service. If a distribution service is not classified as part of a DNSP's revenue reset determination, the AER generally refers to it as an unregulated or "unclassified" distribution service. However, unregulated distribution services are still subject to some regulatory controls, including the ring-fencing and shared asset frameworks.

Where a service is classified as a direct control service, the AER further classifies it as either a standard control service or alternative control service. When making this decision, the NER requires the AER to have regard to: the form of regulation previously applicable to the service, the desirability of consistency in the form of regulation for similar services, the potential for development of competition in the relevant market and how our classification might influence that potential, the possible effects of the classification on administrative costs and the extent the costs of providing the relevant service are directly attributable to the person to whom the service is provided.

This represents an 'incremental' approach to service classification, where the AER generally classify services in line with previous classifications. For new services, the factors outlined above—such as the potential for competition, consistency with previous regulation, and cost attribution—are used as guidance to assess whether the service could be regulated as a direct control service or a negotiated distribution service. However, these factors may be less effective for new services that are fundamentally different from existing ones, where applying an incremental approach can obscure the unique risks and opportunities posed by the service, making it difficult to determine appropriate classifications, regulatory obligations, and protections for consumers.

New business models and technologies such as EV charging infrastructure, community batteries, and flexibility services are challenging traditional definitions of distribution services, making it difficult to distinguish between regulated monopoly functions and activities more appropriately delivered by, or in conjunction with, parties unaffiliated with the DNSP. This can make consideration of ring-fencing waiver applications increasingly complex, particularly in respect of defining the affected service and assessing the risks and benefits of granting a waiver to allow a DNSP to operate in that market.

Recent waiver activity illustrates the increasing number and range of matters being considered through the ring-fencing waiver framework. Between 2022 and 2025, the AER assessed 47 waiver applications or related waiver matters, including 10 in 2022, 6 in 2023, 12 in 2024 and 19 in 2025. These matters covered a broad range of services and circumstances, including battery leasing, community batteries, regional office arrangements, branding, field services to transmission businesses, telecommunications services, isolated network generation, training services, market ancillary service trials, renewable energy zone activities, RERT-related class waivers and EV charging infrastructure.

Earlier waiver activity was generally more limited in scope. Between 2017 and 2021, 35 out of 43 waivers (around 80 per cent) were related to transitional arrangements. Only one of those transitional waivers remains active following the end of the transition period. Waivers during this period largely related to DNSPs transitioning to the new ring-fencing framework, including service reclassification, legal and functional separation, branding, regional service delivery and regional office arrangements.

Waiver activity in recent years indicates that the framework is being applied to a diverse set of issues, including both established compliance matters and newer services or technologies that raise more complex questions about DNSP participation, cost allocation, reporting, consumer benefits and competition risks.

Australia's energy system is transitioning from a centralised, fossil fuel-based system to a decentralised, renewables-based system. As part of this transition, consumers have embraced CER. This is increasingly shaping the future energy system. There are over 3.8 million small-scale rooftop solar PV installations across the National Electricity Market (NEM) and strong uptake of household batteries and electric vehicles is forecast over the next decade.[3] This growth in CER is not only increasing the volume of resources connected to distribution networks, but also changing how those networks need to be planned, operated and coordinated. As the monopoly owners and operators of distribution networks, DNSPs remain responsible for the core distribution network operator (DNO) functions of building, maintaining and operating the physical network. Traditionally, this involved one-way flows of electricity from the transmission network to customers connected to the distribution network. With the growth of CER and two-way power flows, DNSPs are also increasingly undertaking additional distribution system operation functions, including improving visibility of local network conditions, applying and communicating operating limits, and more actively coordinating distributed resources.

Effectively managed and seamlessly integrated, CER can help deliver more reliable, secure and cheaper energy. This reduces the need for large-scale grid investment, benefits all customers and rewards CER owners for the value their CER provides to the system. CER also has the potential to improve network utilisation, provide network support services that reduce congestion and augmentation needs, lower wholesale market costs and volatility, contribute to system security services, and support emissions reduction by displacing more emissions-intensive generation.

This shift in context and changing roles for DNSPs is raising new challenges and questions for the regulatory framework, including how DNSPs should manage two-way flows, communicate and apply dynamic operating limits, use network data, procure non-network services, interact with third-party aggregators and retailers, and recover the costs of new enabling capabilities. It also raises questions about how to maintain an even playing field where DNSPs have access to regulated assets, operational systems, customer relationships or network information that could affect adjacent or emerging markets

DNSPs as platform operators and market participants

DNSPs' role as operators of the distribution platform and controllers of the critical infrastructure that underpins most new and emerging services in adjacent markets presents both opportunities and risks. DNSPs may consider that they are best placed to step into new service roles because they already operate the underlying system, have visibility of local network conditions, and can integrate new technologies at scale. This monopoly position provides DNSPs with both capability and opportunity to expand their activities beyond traditional network functions and into new services and technologies, such as batteries, EV charging infrastructure and flexibility services.

DNSPs are engaging in new services and technologies due to several key drivers. The rapid growth of CER has introduced operational challenges, such as congestion, voltage management and minimum demand, that require more active distribution-level coordination. The limited availability of location-specific flexibility services has prompted DNSPs to invest in community batteries to address local network constraints. National and state decarbonisation policies have created expectations that DNSPs will facilitate electrification

[3] Australian Energy Market Operator, Quarterly Energy Dynamics Q1 2026, AEMO. April 2026

and EV uptake, leading to investment in kerbside EV charging infrastructure and dynamic control trials.

For example, between December 2020 and October 2025, the AER approved 14 individual ring-fencing waivers for DNSP-owned batteries. Additionally, in 2023, the AER granted a ring-fencing class waiver for DNSP-led projects funded under the Australian Government's Community Batteries for Household Solar Program. Under these waivers, DNSPs lease excess battery capacity to third parties for contestable energy services, such as frequency control ancillary services, load shifting or CER management. In most cases, these batteries are operated by a leasing partner, with DNSPs reserving rights to use the batteries in specified network support events.

DNSPs report some operational data on these batteries as required by waiver conditions. Data from 2024 indicates that, of approximately 265 MWh of battery capacity approved through waivers, around 39 MWh has been energised, and 226 MWh has not yet been energised. This represents around 15 per cent of approved capacity. Reported usage data indicates that approximately 104 MWh, or around 1 per cent, of battery usage has been for DNSP network support services, compared with approximately 11,463 MWh, or around 99 per cent, by leasing partners.

This is relevant to the review because it illustrates how waiver decisions can influence DNSP delivery of emerging services, where regulated assets may also support contestable market activities. It also highlights the importance of ensuring waiver conditions, reporting requirements and transparency arrangements provide sufficient visibility of how these assets are used in practice, whether expected consumer benefits are being realised, and whether competition and cross-subsidisation risks are being appropriately managed.

These developments raise questions about when DNSP involvement in new services and technologies may promote efficient outcomes, and when it may create risks that need to be managed through ring-fencing, shared asset or other regulatory arrangements. They also raise questions about whether in some markets, services or locations, DNSPs may be well placed to deliver or support efficient outcomes because of their existing assets, operational expertise, local network visibility or ability to coordinate with network needs. DNSP-led trials may also create innovation and efficiency benefits by testing new technologies, business models or operational arrangements that may not otherwise emerge.

DNSP involvement may also raise risks where regulated revenues, assets, information or operational capabilities provide advantages in markets that are contestable. This raises questions about the appropriate boundaries of DNSP activity, the conditions that should apply where DNSPs or their affiliates participate in emerging services, and how the framework should manage risks of cross-subsidisation, discrimination or market distortion while allowing efficient and innovative solutions to be tested where they may be in the long-term interests of consumers.

DNSPs' future roles and responsibilities under the DSO framework

The formalisation of the DSO role reflects a shift to DNSPs taking on more active coordination functions in a high-CER energy system, including improving visibility, integration and orchestration of distributed resources. This is relevant to this review because it may affect how the guidelines apply, as DNSPs use regulated assets, information, systems or capabilities in new ways, or interact with emerging services and markets.

In December 2025, Energy Ministers finalised responsibilities and accountabilities for the effective and efficient operation of distribution systems in a high CER future, a priority reform under the National Consumer Energy Resources Roadmap. Energy Ministers agreed to the CER Taskforce recommendation that DNSPs be formally recognised as DSOs in the NEM, with clear expectations and boundaries to maximise CER value. This reflects the role DNSPs already play in operating distribution networks and coordinating local system conditions, and recognises that clearer expectations and boundaries will be needed as distribution networks become platforms for more diverse energy services. To implement the 6 recommendations, several policy workstreams will begin in 2026, including policy design of DSO expectations, rights and obligations, incentive arrangements, and DSO reporting requirements.

The *Redefining roles and responsibilities for power system and market operations in a high CER future final report* from the CER Taskforce describes the future DSO role as extending beyond traditional network operations to broader coordination functions in a high-CER environment. In broad terms, traditional DNSP functions remain centred on building, maintaining and safely operating the physical network, while the emerging DSO role places greater emphasis on visibility, coordination and the active dynamic management of how CER interacts with the network. It points to DSOs improving CER visibility and predictability; supporting off-market orchestration (for example dynamic operating envelopes and dynamic network prices); coordinating energy, flexibility and system services from CER where efficient; coordinating access to constrained network capacity, supporting the data and information flows needed for participation, and strengthening operational coordination across the transmission–distribution interface. This suggests DNSPs, in their DSO capacity, may take a more active role in managing local system conditions and enabling CER participation. These developments are relevant to this review because the current guidelines were largely designed around more traditional network ownership and operation, and may not clearly address how DNSPs should perform these more active coordination functions in or interacting with contestable markets.

The report also acknowledges risks where the DSO role is combined with DNSP ownership or operation of CER in contestable markets, including DNSPs favouring their own assets in operational decisions or monopoly-funded assets distorting competition. It points toward a model where DNSPs may undertake DSO functions, while ownership or operation of CER remains limited to clearly defined circumstances.

Implementing the 6 recommendations may provide a foundation for interpreting DNSP boundaries and approaching new services. The formal establishment of a DSO role within the regulatory framework may also provide a clearer basis for determining which DSO activities should be treated as regulated network functions, what obligations should attach to those activities, and what safeguards are needed to preserve competitive neutrality as DNSPs take on a more formal system operation role.

Question 1) Have we accurately described the key changes occurring in distribution networks and the broader energy system? Are there any important developments or trends we have not captured?

3 Reviewing the guidelines

3.1 Stakeholder feedback

The AER has received extensive stakeholder feedback on the need to review the guidelines, including through the 2024/25 limited scope review of the Ring-fencing guideline (electricity distribution) and 2025 review of the Shared Asset Guideline. The Ring-fencing Guideline applies to electricity distribution, while the Shared Asset Guideline applies to both distribution and transmission network service providers.

Feedback on the Shared Asset Guideline has primarily focused on distribution-related issues, likely reflecting its interaction with current DNSP activities such as batteries, electric vehicle charging infrastructure, ring-fencing waivers and other emerging distribution-level services. The review will test whether similar issues arise in transmission, whether different transmission-specific considerations apply, and whether any amendments should apply consistently across distribution and transmission or be targeted to particular services, assets or regulatory contexts.

We are also aware of similar feedback that stakeholders have provided through the AEMC's ENRR process and DCCEEW's DSO work, including issues concerning the future role of DNSPs and the boundaries between regulated network functions and adjacent services. Taken together, this feedback points to a set of themes about how the guidelines are operating in practice and whether it remains fit for purpose in an evolving electricity system.

Ring-fencing guideline (electricity distribution)

Functional separation obligations

- Stakeholders raised concerns about whether the current functional separation framework is sufficient to prevent regulated monopoly advantages being leveraged in markets for adjacent services. Feedback suggested that DNSPs and their affiliates may be able to use regulated staff, expertise, operational resources, assets or information in ways that unaffiliated entities cannot easily replicate.
- Stakeholders have raised concerns that shared staff may have access to network information, operational insights and customer interactions that are not available to competitors, creating risks of preferential treatment, discrimination or market distortion.
- Other stakeholders, particularly DNSPs, considered that some functional separation requirements may be disproportionate where DNSPs and/or their affiliates are seeking to provide services that draw on existing network capability, systems or economies of scale and scope. In these circumstances, stakeholders suggested the cost and administrative burden of strict separation may outweigh the competition risks, particularly where the relevant market is immature, there are few alternative providers, or the service could deliver consumer benefits if provided by the DNSP.

Ring-fencing waiver framework and decisions

- Stakeholders raised concerns about the increasing reliance on the waiver framework to manage DNSP participation in emerging or adjacent markets, including where DNSPs seek to provide innovative services or compete in markets that may otherwise be served by third parties. Some stakeholders considered that the class and streamlined waiver process may increase the risk of regulatory error and reduce predictability, transparency and confidence in the overall ring-fencing regime

- Some stakeholders consider that waivers should remain the exception rather than the norm, and that waivers to legal and accounting separation obligations should be limited to circumstances where there is a clear regulatory or legal basis for doing so.
- Feedback suggested that class waivers should be re-evaluated because the competition issues associated with each waiver may be specific to the relevant service, market and DNSP circumstances.
- Stakeholders raised concerns about the streamlined battery waiver process, particularly where they require the AER to assess future market development, asset use, cost allocation and cross-subsidisation risks in advance.

Treatment of emerging technologies and services

- Many stakeholders have provided feedback on the regulatory treatment of batteries, EV charging infrastructure and other emerging or flexible services. Stakeholders highlighted the absence of a clear, technology-neutral regulatory framework that considers how assets and services can provide benefits across both the regulated domain and markets for adjacent services.
- In relation to batteries, stakeholders have raised concerns about how costs, revenues and asset use should be allocated where a battery provides both network and market-facing services. Some stakeholders consider that DNSP ownership or control of batteries may create risks of cross-subsidisation, crowding out and inefficient market development. Others considered that network-owned or network-operated batteries could improve asset utilisation and support the transition if appropriate cost allocation, revenue sharing and service classification arrangements are in place.
- Stakeholders have shared differing views on EV charging infrastructure. Some considered that DNSP participation could distort competition and lead to less efficient outcomes, noting networks can access land, data, connection processes or existing infrastructure that are not available to third-party providers on equivalent terms. Other stakeholders considered that ring-fencing restrictions may prevent networks from using their infrastructure and expertise to deploy EV charging infrastructure efficiently, particularly in areas underserved by private investment.

Interactions with other regulatory frameworks and proportionality

- Stakeholders highlighted the interaction between the Ring-fencing guideline (electricity distribution) and other parts of the regulatory framework, including service classification, cost allocation, the Shared Asset Guideline, demand management arrangements and annual regulatory reporting.
- Some stakeholders suggested that ring-fencing is being used indirectly to regulate asset use or service classification issues, even though its core purpose is to prevent cross-subsidisation and discrimination. This concern was raised in relation to assets such as batteries, microgrids and other multi-use technologies, where the key regulatory issue

may be how services are classified, costs are allocated and revenues are shared, rather than whether ring-fencing alone can manage the relevant risks.

Alignment of the transmission and distribution ring-fencing guidelines

- Stakeholders have questioned the consistency between distribution and transmission ring-fencing approaches, particularly as similar connection proponents, technologies and projects increasingly operate across both levels of the network. Feedback suggested that differences in functional separation requirements may affect the ability of distribution businesses to compete on a comparable basis for certain large-scale connection work.
- Some DNSPs have questioned the appropriateness of ring-fencing requirements on negotiated transmission services provided via dual functions assets, Under the NER, these services are deemed to be negotiated distribution services, which means the Ring-fencing guideline (electricity distribution) obligations automatically apply. While this classification is set by the NER, this review can consider whether the guideline should provide a more proportionate way to apply those obligations within the existing rules framework, such as through an automatic waiver, a different approach to assessing waiver applications, or clearer guidance on the circumstances in which obligations may be modified or waived.

Cross-promotion and branding

- Stakeholders identified potential gaps relating to branding, cross-promotion and broader conduct. Feedback suggested that the guideline may not provide sufficient guardrails around DNSP and affiliate branding, representation or other conduct that could create consumer confusion or imply endorsement of a related provider of other services.
- Stakeholders also noted that some types of conduct or commercial arrangements may be difficult for third parties to observe, making it challenging to assess whether ring-fencing obligations are operating effectively in practice. Some stakeholders called for stronger reporting, assurance and transparency obligations, particularly where waivers are granted or where regulated assets are used to provide both direct control and other services.

Clarity, enforceability and practical operation

- Stakeholders have suggested that some parts of the guideline may be insufficiently clear, enforceable or adaptable to new and less well-defined scenarios. This included circumstances where DNSPs are trialling new business models, participating in emerging service markets or delivering services that do not fit neatly within existing categories.
- Feedback indicated that there can be a gap between the formal obligations in the guideline and how those obligations are monitored, evidenced or enforced in practice. Stakeholders called for clearer and more adaptable provisions that can operate effectively in a more dynamic and decentralised energy system.
- Nexa Advisory, through its rule change proposal, has called for stronger reporting, complaints and enforcement transparency. Nexa considers that the current reporting arrangements do not provide sufficient visibility of how DNSPs are complying with ring-fencing obligations or how ring-fencing issues are identified and addressed.
- Nexa proposes stronger and more consistent reporting requirements, including clearer public reporting on compliance with ring-fencing obligations, treatment of affiliated

parties, management of ring-fenced information, use of regulated assets and capabilities and the outcomes of waiver decisions.
- Nexa also raises concerns that waiver approvals may not be accompanied by sufficient ongoing reporting or accountability. It's proposal points to the need for greater transparency on whether waiver conditions are being met, whether expected consumer benefits and competition safeguards are being delivered, and how complaints should or potentially breaches are handled.

Regulatory fit and market development

- Stakeholders questioned whether the guideline remains appropriately targeted to the harms it is intended to address. Some feedback suggested that the guideline may be relied on to respond to issues that could be better addressed through other regulatory tools, while other feedback emphasised the need for strong ring-fencing protections to support third-party confidence in emerging adjacent markets.
- Some stakeholders consider that DNSP participation in emerging markets could crowd out unaffiliated providers unless there is clear evidence of market failure, appropriate market testing, and safeguards against discrimination and cross-subsidisation. This concern was raised in relation to services such as batteries, EV charging infrastructure and SAPS generation.
- Other stakeholders consider that the Ring-fencing guideline (electricity distribution) should better enable DNSPs to use their existing infrastructure, systems and expertise where this would support the energy transition, increase asset utilisation, reduce costs, improve service availability or deliver benefits that may not otherwise be provided by the market.

Shared Asset Guideline

Consumer outcomes, benefit sharing and incentive alignment

- Stakeholders have raised concerns about whether the benefits from DNSPs' contestable or unregulated activities are appropriately shared with consumers. This included concerns that revenues from multi-use assets may not always flow back to consumers, or that regulated assets and inputs may be used to support unregulated activities without appropriate safeguards.
- Some stakeholders suggested that the current shared asset arrangements may not provide sufficient incentives for DNSPs to increase shared asset utilisation or return a meaningful share of unregulated revenues to consumers. Feedback also suggested that existing materiality thresholds and sharing ratios may reduce the extent to which consumers benefit from unregulated use of regulated assets.

Incentives for efficient asset utilisation

- Stakeholders questioned whether current settings provide sufficient incentives for DNSPs to increase utilisation of shared assets or to maximise value for consumers.
- Feedback indicated that existing thresholds and sharing arrangements may limit the extent to which consumers benefit from unregulated use of regulated assets, particularly where revenues are variable or emerging over time.

Clarity and workability of the framework

- Stakeholders identified areas where the guideline may be difficult to apply in practice, including determining when an asset is considered ‘shared’, how materiality thresholds should be applied, and how obligations operate in more complex or novel scenarios.
- Feedback also suggested that greater clarity may be needed on how the shared asset framework interacts with other regulatory tools, including ring-fencing, cost allocation and service classification.

Application to emerging technologies and services

- Stakeholders noted that newer technologies—such as batteries, electric vehicle charging infrastructure and other flexible network assets—can involve more dynamic and multi-dimensional uses than those originally contemplated by the guideline.
- This has raised questions about whether the current framework remains sufficiently adaptable to accommodate evolving asset use, value stacking and new service models.

Interaction with broader regulatory objectives

- Feedback indicated that the shared asset framework increasingly intersects with broader questions about efficient investment, non-network solutions and consumer outcomes.
- This includes consideration of whether current arrangements appropriately balance incentives for innovation and asset utilisation with the need to ensure consumers receive a fair share of benefits from regulated assets.

Question 2)

Have we accurately reflected the concerns raised by stakeholders regarding the guidelines? Are there additional issues that we should consider when determining the scope of this review?

Question 3)

Are there relevant experiences, case studies, examples or evidence that would help illustrate these issues or inform this review?

3.2 Proposed scope of the review

In scope

The review will consider the following:

- The effectiveness of the Ring-fencing guideline (electricity distribution)’s functional separation clauses, including whether they adequately prevent cross-subsidisation and the use of regulated assets, access to assets, land, information, systems, staff, capability, or customer relationship to advantage affiliated entities or distort competition.

- The role of DNSPs in the delivery of negotiated distribution services and unregulated distribution services.

- How the Ring-fencing guideline (electricity distribution) applies to the internal, but functionally separate related electricity service provider when this is the part of the

DNSPs that provides negotiated distribution services and unclassified distribution services, including where those services are provided through dual function assets.

- Whether the current decision-making framework for assessing ring-fencing waiver applications allows the AER to adequately consider the benefits and risks of granting or not granting a waiver.
- Opportunities to make the guidelines clearer and more succinct, including by improving the clarity of obligations for networks, supporting more consistent compliance, and making it easier for the AER to monitor and enforce the guidelines.
- Examining what types of services affiliated of DNSPs should be allowed to provide and why.
- The treatment of multi-use assets, including how costs and revenues should be attributed where assets funded through regulated revenues are used to provide other services.
- Whether current shared asset benefit-sharing arrangements, including materiality thresholds and sharing ratios, remain appropriate.
- How the Shared Asset Guideline applies to emerging technologies and services, including assets with dynamic or evolving uses
- How the Shared Asset Guideline applies across distribution and transmission, including whether issues identified in relation to DNSPs also arise for TNSPs, and whether any amendments should apply consistently across both sectors or be targeted to particular services, assets or regulatory contexts
- The interaction between the Shared Asset Guideline and the Ring-fencing guideline (electricity distribution), including whether the two guidelines operate together effectively where regulated assets, staff, systems, information or capabilities are used to support other services.
- Whether the current reporting requirements under the guidelines should be adjusted, including DNSP reporting requirements and the AER's approach to publishing information on ring-fencing compliance, waiver activity, complaints, enforcement outcomes, information sharing, affiliate dealings and the use of regulated assets or capabilities to support other services.

Out of scope

For the avoidance of doubt, the review of the guideline will not consider the following:

- Service classification and what services DNSPs should be able to provide. For example, whether owning, leasing or operating EV charging infrastructure or grid-connected batteries are direct control services and if DNSPs should be allowed to offer these services. These questions will be considered as part of the Framework and Approach stage during DNSPs' revenue resets and as part of package 1 the AEMC's ENRR.
- Changes to the Ring-fencing guideline (electricity transmission)
- Changes to rules or legislation e.g. ring-fencing or shared asset obligations in the NER

Question 4) Do you consider the scope of this review to be appropriate? Are there additional areas of focus that you should believe should be included?

3.3 Review timeline

Stage 1	Call for input (scope and approach to review)	25 June – 6 August 2026
	Stakeholder workshops & engagement (explore issues and potential changes)	July 2026
Stage 2	Draft decision published	September 2026
	Draft decision consultation	September – October 2026 (6 weeks)
Stage 3	Final decision	December 2026

3.4 Stakeholder engagement approach

We are seeking stakeholders' views on the proposed scope and approach to our review of the guideline, as set out in this call for input. In identifying the proposed areas of focus for this review, we have reflected on the extensive stakeholder feedback that we have received to date. We have prioritised issues that have widespread stakeholder concern and can be addressed solely through changes to the guideline (i.e. do not require changes to other guidelines, rules and laws).

We are particularly interested in hearing from stakeholders on the following:

- Whether stakeholders consider there to be additional issues, concerns or nuances relating to the guideline that have not been captured in this call for input.
- Where stakeholders consider there to be a misalignment between the intent of the guideline (including wording and clarity) and how the guidelines are being operationalised.
- Whether the proposed focus and scope of the is appropriate, ensuring we are focusing on the most pressing issues.

We will use responses from this call for input to inform our review of the guidelines, including shaping the issues that we will workshop and discuss with stakeholders in stage 2 (stakeholder workshops and engagement).

We will take a dynamic approach to stakeholder engagement as part of this review to:

- reduce the burden on stakeholders, where possible, as we are aware of the number of concurrent consultations and reform processes across the sector.
- ensure the review is conducted efficiently, while not compromising on our ability to engage with stakeholders and the issues under consideration.

Stakeholder workshops will form a key part of this process. In stage 2, we will hold a series of targeted workshops with different stakeholder groups—including consumer representatives, DNSPs and their affiliated entities, unaffiliated service providers and industry bodies, and government and market bodies—to facilitate focused discussion on issues most relevant to each group and explore what changes are required to the guideline. These workshops will be structured to encourage open discussion and practical feedback, with an anonymised summary of key themes published following the workshops.

Question 5)

Do you have suggestions on ways that we can make it easier for stakeholders to effectively engage with the review process?

4 Summary of questions for stakeholders

1. Have we accurately described the key changes occurring in distribution networks and the broader energy system? Are there any important developments or trends we have not captured?
2. Have we accurately reflected the concerns raised by stakeholders regarding the guideline? Are there additional issues that should be considered as part of this review?
3. Are there relevant experiences, case studies, examples or evidence that would help illustrate these issues or inform this review?
4. Do you consider the scope of this review to be appropriate? Are there additional areas of focus that you should believe should be included?
5. Do you have suggestions on ways that we can make it easier for stakeholders to effectively engage with the review process?