AUSTRALIAN ENERGY REGULATOR

July 2026

AER workshop: Summary of stakeholder feedback

Review of ring-fencing and shared asset guidelines – Government and Consumers

- **What:** Stakeholder workshop on the AER's review of the Ring-fencing Guideline (electricity distribution) and Shared Asset Guidelines.
- **When:** Wednesday, 22 July 2026, 10:00 am – 12:00 pm AEDT.
- **Where:** Online (Microsoft Teams).
- **Who:** Representatives from Contestable service providers
- **How:** Guided discussion facilitated and AER staff, with additional input provided through the Microsoft Teams chat. A transcript was recorded for AER internal purposes.
- **Why:** The purpose of the workshop was to obtain practical feedback on how the Ring-fencing Guideline and Shared Asset Guideline are operating, including what is working, what is not working and what may need to change.

Background

- The workshop formed part of the AER's initial consultation on its joint review of the Ring-fencing Guideline (electricity distribution) and Shared Asset Guideline.
- The review is considering whether the guidelines continue to manage the risks of cross-subsidisation, discriminatory conduct and unfair competitive advantage, while ensuring consumers receive an appropriate share of the benefits arising from the use of regulated assets.
- The workshop used practical examples and scenarios to support informed discussion of how the current arrangements operate in practice, whether the identified problems are material, the outcomes the guidelines should support and which aspects of the arrangements may need to change.
- This consultation summary reflects the views of stakeholders which were shared with the AER during the session. The summary was prepared by the AER based on the transcript of the discussion.

What we heard from stakeholders

Discussion 1 – Related electricity service provider (RESP)

Stakeholders generally agreed that there is insufficient visibility over unregulated distribution services and that greater transparency is needed regarding what services DNSPs provide, how they operate and the benefits they deliver to consumers. However, stakeholders diverged on whether these services should exist at all and whether some negotiated distribution services are genuinely contestable. Key pain points included limited transparency, potential use of monopoly assets for commercial activities, and uncertainty around whether consumers receive an appropriate share of resulting benefits. There was also some confusion regarding the distinction between negotiated distribution services, unregulated distribution services and contestable services.

Specifically, stakeholders noted:

- There is insufficient visibility regarding what unregulated distribution services DNSPs provide, the revenues they generate and the extent to which regulated assets and staff support those activities.
- Greater information is needed on the scale of unregulated distribution services before stakeholders can assess whether current arrangements continue to be appropriate.
- Pole access and similar services may not be genuinely contestable because only the DNSP controls access to the underlying monopoly asset.
- Functional separation becomes particularly important where DNSPs are both providing access to monopoly assets and participating in related markets through affiliated businesses.
- Consumers should receive benefits where DNSPs generate revenues from monopoly-funded assets or affiliated businesses that have grown using advantages derived from regulated activities.
- Questions around why DNSPs undertake unregulated services and whether these activities provide sufficient value to consumers to justify the associated risks and complexity.
- DNSPs may be pursuing commercial opportunities that would be more appropriately treated as regulated consumer services, rather than establishing affiliate structures to capture commercial revenues.

Discussion 2 – Functional separation & RESPs

Stakeholders broadly supported the objective of preventing discrimination and protecting competition but expressed significant concern about whether functional separation can operate effectively in practice. Views differed on whether the solution lies in strengthening existing requirements or considering alternative regulatory approaches. The key pain point was the practical difficulty of maintaining separation where staff, executives and boards operate across multiple entities. Limited feedback was provided on more specific requirements such as branding and physical separation arrangements.

Specifically, stakeholders noted:

- Shared staffing arrangements make it extremely difficult to maintain meaningful information separation because individuals cannot realistically separate information obtained in one role from decisions made in another role.
- Common executives and directors operating across DNSPs and affiliated entities create practical concerns about whether ring-fenced information can remain effectively separated.
- Existing governance and conflict-of-interest arrangements may not be sufficient to address stakeholder concerns regarding information sharing and preferential treatment.
- The practical operation of current ring-fencing arrangements appears difficult where organisations share staff, boards, management structures or common commercial objectives.
- Real-world examples suggest information separation may be more theoretical than practical, particularly where senior executives have responsibilities across multiple entities.
- Questions about whether functional separation can genuinely achieve its intended purpose or whether a different regulatory approach may ultimately be required.

Discussion 3 – Ring-fencing waivers

Stakeholders generally accepted the need for a waiver framework to address exceptional circumstances but raised concerns about transparency and increasing reliance on waivers. Divergence emerged between those who viewed waivers primarily as a useful flexibility mechanism and those who questioned whether extensive use of waivers indicates shortcomings in the underlying framework. A key pain point was the difficulty of understanding how many waivers exist, what they cover and what outcomes they have achieved. There was also confusion around what waivers do and do not allow.

Specifically, stakeholders noted:

- Current public information makes it difficult to understand the overall scale, purpose and outcomes of the waiver framework.
- more transparency regarding the number of active waivers, the issues they address and whether waiver use is increasing over time would assist stakeholders in understanding whether the guideline continues to operate effectively or whether recurring issues are emerging.
- Waivers remain important where applying competition-focused obligations in circumstances without meaningful competition could create unnecessary costs that are ultimately borne by consumers or taxpayers.

- Regulatory frameworks should allow sufficient flexibility to address unique regional or jurisdiction-specific circumstances without imposing unnecessary administrative burden.
- The increasing prominence of waivers as a signal that aspects of the framework may no longer align with the realities of emerging technologies and evolving markets.

Discussion 4 – Shared assets, materiality and benefit sharing

There was strong consensus that consumers should benefit when regulated assets are used to generate commercial revenues. However, stakeholders differed significantly on whether current materiality thresholds and benefit-sharing arrangements provide consumers with an appropriate return while maintaining incentives for efficient asset utilisation. Key pain points included limited transparency around revenues generated from shared assets, concerns about consumer benefit-sharing outcomes, and the treatment of emerging technologies such as batteries. Considerable confusion also arose regarding the interaction between shared assets, cost allocation and consumer benefit-sharing.

Specifically, stakeholders noted:

- Consumers should receive a meaningful share of revenues generated from assets that have been funded through regulated charges.
- The existing 1% materiality threshold may create incentives that influence behaviour and potentially limit benefits flowing to consumers.
- Greater transparency is needed regarding actual revenues generated from shared assets, particularly batteries, rather than focusing solely on asset capacity or utilisation data.
- Some battery projects appear to provide relatively limited network support while generating broader commercial opportunities, raising questions about whether they are being developed primarily for consumer benefit.
- The current benefit-sharing arrangements may allow DNSPs or affiliated parties to retain a disproportionate share of value generated from assets funded by consumers.
- Revenues earned from consumer-funded assets should be used to reduce costs for consumers rather than primarily supporting commercial business opportunities.
- Regulatory frameworks should focus on ensuring monopoly-funded assets are used to maximise consumer outcomes rather than enabling commercial profits.
- There is a need for greater clarity regarding the relationship between cost allocation approaches and shared asset benefit-sharing arrangements.
- Questions about whether concepts such as cost sharing, benefit sharing and economic efficiency are being applied consistently when assessing shared asset arrangements.
- Efficient service delivery should remain the overriding principle, with decisions about monopoly versus contestable provision assessed through the lens of consumer outcomes.

Discussion 5 – Compliance, monitoring and benefit sharing

Stakeholders generally agreed that more transparency and reporting would improve confidence in the operation of the guidelines. While there was support for additional visibility of transactions and arrangements involving DNSPs and affiliated entities, some participants recognised the need to balance transparency against additional regulatory burden. The primary pain point was limited visibility of revenue flows, information sharing and commercial arrangements. There was relatively limited discussion on specific reporting obligations, with several comments instead moving into broader issues relating to market design and service classification.

Specifically, stakeholders noted:

- There is limited visibility of commercial relationships, transactions and revenue flows between DNSPs and affiliated entities.
- More information is needed to determine whether services delivered through DNSPs and affiliated businesses are generating supernormal profits, consumer benefits or efficient outcomes.
- Benchmarking information could improve transparency and allow stakeholders to assess whether services are being delivered efficiently and consistently across jurisdictions.
- There should be greater transparency around access arrangements, charging structures and commercial terms governing access to monopoly infrastructure.
- There is currently insufficient information available for stakeholders to independently assess whether the guidelines are producing outcomes that benefit consumers.

Other feedback outside of the scope of this review

Across all topics, stakeholders repeatedly raised broader concerns about EV charging infrastructure, community batteries, service classification, cost allocation and the role of DNSPs in emerging energy services. Stakeholders recognised that many of these issues extend beyond the guideline review itself but considered them closely connected to consumer outcomes, competition and efficient investment decisions.

Specifically, stakeholders noted:

- EV charging infrastructure, batteries and other emerging technologies are exposing tensions between existing ring-fencing arrangements and evolving market structures.
- The interaction between service classification, cost allocation, ring-fencing and shared asset arrangements is complex and difficult to separate in practice.
- That future reviews should consider the full consumer impact of these intersecting frameworks rather than assessing each regulatory mechanism in isolation.
- Future regulatory arrangements should remain focused on consumer outcomes, economic efficiency and ensuring consumers benefit from assets funded through monopoly charges.