Australian Government

AUSTRALIAN ENERGY REGULATOR

Exemption guidelines review

Notice of draft decision – Retail Exempt Selling Guideline and Network Exemptions Guideline (versions 8)

August 2026

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AER reference: 31,548,439

Contents

1 Introduction

1.1 Purpose and scope

The AER is consulting on proposed updates to its Network Exemptions Guideline (Network Guideline)[1] and its Retail Exempt Selling Guideline (Retail Guideline)[2] for exempt electricity networks and energy sellers.

We propose to amend the Network Guideline and Retail Guideline (guidelines), having taken into consideration stakeholder submissions to the AER's consultation paper,[3] to:

- support the Australian Energy Market Commission's (AEMC) flexible trading reforms relating to secondary settlement points and flexible metering, that support energy consumers to separate and manage flexible loads without relying on embedded networks[4]
- reduce unnecessary regulatory burden by streamlining the commercial embedded network retrofit requirements for exempt sellers in the Retail Guideline,[5] to gain efficiencies and reduce costs, while maintaining consumer protections for embedded network customers.

The AER has extended the original confined scope of this review to:

- clarify the responsibilities of exempt network service providers to protect metering data and secure metering installations, in response to concerns raised by the Essential Services Commission of South Australia (ESCOSA)
- clarify the eligibility requirements for exempt network service providers with embedded production units, in response to concerns raised by the Australian Energy Market Operator (AEMO)
- address changes to the National Energy Retail Law (NSW) that impact sellers of hot water and centralised air conditioning within NSW embedded networks from 1 July 2026.

We are now seeking stakeholder feedback to the proposed changes tracked in the draft guidelines.

1.2 Consultation

On 18 May 2026, the AER published a consultation paper seeking stakeholder views on its proposal to amend the guidelines. The AER received 11 public submissions.

We discuss stakeholder feedback relevant to the scope of the review throughout this notice.

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1 AER, Network Guideline (version 7), 29 August 2025.

2 AER, Retail Guideline (version 7), 29 August 2025.

3 AER, Exemption guidelines review – Consultation paper, 18 May 2026.

4 The AER is required to review and, where necessary, update relevant guidelines to ensure regulatory clarity and consistency with the new rules – see NER, clause 11.173.3 and NERR, rule 11 of Part 19, Schedule 3.

5 A retrofit is the conversion of an existing electrical distribution system into an embedded network.

Stakeholder submissions received June 2026	
− Active Utilities − Centre for Smart Power and Energy Research, Deakin University − ENM Solutions − Energy Bay − Energy Intelligence − Energy On	− Energy Queensland (Energex and Ergon Energy) − Enel X − Shopping Centre Council of Australia (SCCA) − Solarbank Australia − SolarEdge Technologies

The AER is required to consult on proposed amendments to the Network Guideline and Retail Guideline under the National Electricity Rules (NER)[6] and the National Energy Retail Rules (NERR),[7] respectively.

We aim to progress both guidelines together, with final guidelines released in November 2026. Until this review is completed, exempt network service providers and exempt sellers must comply with the current guidelines (versions 7).

Network Guideline consultation

We will adhere to the NER consultation procedure under Clause 8.9 of the NER to amend the Network Guideline.

Consultation type	Draft	Final
NER consultation procedures (for the Network Guideline)	AER must publish the **draft** document **no later than 50 business days** after the due date for submissions on the consultation paper.	AER must publish the **final** document **no later than 50 business days** after the due date for submissions on draft document.

Retail Guideline consultation

We will adhere to the retail consultation procedure under rule 173 of the NERR to amend the Retail Guideline.

Consultation type	Draft	Final
NERR retail consultation procedures (for the Retail Guideline)	AER must publish a draft instrument and allow **at least 20 business days** for submissions.	Publish the final instrument and written notice, **as soon as reasonably practicable** after the consultation period closes.

6 NER, rule 8.9.

7 NERR, rule 173.

1.3 Request for submissions

Interested parties are invited to make submissions to AERExemptions@aer.gov.au by close of business on Tuesday, 15 September 2026.

Alternatively, you may mail submissions to:

Rebecca Holland
General Manager – Compliance and Enforcement
Australian Energy Regulator
GPO Box 3131
Canberra ACT 2601

1.4 Publishing submissions

The AER prefers that submissions be publicly available to facilitate an informed and transparent consultative process. Submissions will be treated as public documents unless otherwise requested. All non-confidential submissions will be published on the AER's website. For further information regarding the AER's use and disclosure of information provided to it, see the https://www.aer.gov.au/publications/reports/corporate/aer-information-policy.

Parties wishing to submit confidential information are requested to:

- 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.

If you have enquiries about this paper or lodging a submission or would like to meet with us to discuss issues raised in this notice, please contact us at AERExemptions@aer.gov.au.

2 The AER's exemptions framework

The national energy laws underpin the network exemptions and retail exemptions frameworks. These frameworks are administered under different legislation – the National Electricity Law (NEL) and the National Electricity Rules (NER) for network exemptions; and the National Energy Retail Law (NERL) and the National Energy Retail Rules (NERR) for retail exemptions.

The AER administers both frameworks and regulates who can operate exempt networks and on-sell energy through our guidelines, via 3 categories of exemptions: deemed, registrable and individual exemptions.

Network Guideline

The AER may exempt entities from registering with AEMO as a network service provider where this would be administratively burdensome and unnecessary. For example, in private networks where supply of energy is limited to a defined site and operates at a relatively small scale. Our Network Guideline sets out the processes for registering and applying for network exemptions. The AER places conditions on exempt network service providers to ensure appropriate consumer protections are in place for their customers. Key network conditions relate to safety, access to retail competition and pricing.

Retail Guideline

The AER may exempt energy sellers from holding an authorisation in certain situations. These include where the selling of energy is incidental (i.e. not the seller's core business), where the cost of having an authorisation outweighs the benefits to customers, or where an insignificant amount of energy is being sold.

Our Retail Guideline sets out the processes for registering and applying for retail exemptions, including the exemption classes, eligibility criteria, and the conditions the AER may impose. The conditions we impose aim to give exempt seller customers equivalent protections (to the extent possible) to those of standard retail customers. Key retail conditions relate to hardship and life support customer protections, retail pricing restrictions, and transparent dispute resolution processes.

3 Reflecting flexible trading in the exemptions framework

On 15 August 2024, the AEMC finalised new rules[8] to unlock consumer energy resources (CER) benefits through flexible trading, as part of the Energy Security Board's CER implementation plan.[9]

Our consultation paper[10] discussed the AEMC's flexible trading reforms that establish a new framework for customers to use secondary settlement points.[11]

The new rules mean that certain secondary settlement point arrangements will fall outside the distribution system definition and will not require a network exemption provided the customer is the only person using the network. They will enable customers, including large customers of a Small Resource Aggregator,[12] to engage in flexible trading via secondary settlement points, without requiring an embedded network.

The AER has proposed updates to the exemptions framework to support regulatory clarity and avoid unnecessary duplication where a network exemption is not required.

3.1 Draft Network Guideline proposed changes

From 1 November 2026, the new NER introduces concepts including 'secondary settlement point', 'single use network' and 'excluded metering installation',[13] and amends the definition of 'distribution system' to exclude the latter two.

Stakeholder submissions unanimously supported our proposal to mirror the definition of 'distribution system' in version 8 of the draft Network Guideline. The proposed changes are marked up in red as follows:

Term	NER definition
Distribution system	Each of the following: • a distribution network, together with the connection assets associated with the distribution network, which is connected to another transmission system or distribution system, and • a stand-alone distribution system in a regulated stand-alone power system. However, none of the following constitutes a distribution system: • an excluded metering installation, and • a single user network.

8 AEMC, *National Electricity Amendment (Unlocking CER benefits through flexible trading) Rule 2024* and *National Energy Retail Amendment (Unlocking CER benefits through flexible trading) Rule 2024*, 15 August 2024.

9 DCCEEW, National Consumer Energy Resources Roadmap, 15 August 2025.

10 AER, Exemptions guidelines review consultation paper, 18 May 2026.

11 Secondary settlement points are voluntary additional metering points that allow customers to be charged separately for the different ways in which they use energy at premises.

12 A Small Resource Aggregator purchases or sells electricity from one or more small resource connection points to the National Electricity Market and is the financially responsible market participant for the electricity provided. See AEMO, Small Resource Aggregators in the NEM, Fact Sheet, 19 July 2024.

13 See Glossary.

This change means that secondary settlement point arrangements (including customers of a Small Resource Aggregator) will not require a network exemption.

Stakeholders broadly supported the AER's proposed approach. However, several submissions (notably, from SolarEdge Technologies, ENM Solutions, Energy Intelligence and the Centre for Smart Power and Energy Research) sought additional practical guidance for specific scenarios.

To assist stakeholders to understand and apply the amended exemptions framework, we have provided practical guidance in the draft Network Guideline. This includes examples on the interaction between secondary settlement points, embedded networks, single user networks and existing exemption classes.

A summary of additional proposed changes to the draft Network Guideline are set out below.

Area	Proposed changes	Reason
Secondary settlement points and exemptions	We have clarified that creating a secondary settlement point does not itself require a network exemption, and associated conditions do not apply solely due to secondary settlement point designation or third-party CER control.	To align the Network Guideline with the AEMC's flexible trading reforms (which modify the NER definition of a distribution system) and prevent unnecessary network exemptions.
Single user networks	We have explained how the Network Guideline applies to single user networks, including where a customer gives a financially responsible market participant (FRMP), Small Resource Aggregator or service provider control of CER behind the meter.	To reflect new NER concepts and avoid network exemption requirements being inappropriately applied to single customer arrangements.
Embedded networks with secondary settlement points	We have clarified that embedded networks remain embedded networks where individual customers adopt secondary settlement points for particular loads.	To ensure consumer protections and compliance obligations continue where multiple end users are supplied via private networks.
Mixed and evolving arrangements	We have provided examples of exempt networks with small and large customers, those with secondary settlement points, and those that transition over time between a single user network and an exempt network.	To improve clarity of regulatory boundaries as well as reduce uncertainty and inconsistent interpretation when network characteristics change.
Metering data protections and metering installation security	We have added new general condition 1.20 (Confidentiality of metering data) and condition 1.21 (Security of metering installations)	To clarify metering data protections and metering installation security for off-market customers in exempt networks, which do not otherwise apply under the NER.
Exempt networks with embedded third-party production units	We have amended footnotes for network exemption classes NDO1, NRO1 and NRO2.	To clarify eligibility requirements for exempt networks with embedded third-party production units, to support system security and ensure proper oversight by the AER and AEMO.

Several stakeholders raised broader issues regarding transparency, monitoring and visibility of secondary settlement arrangements. The Centre for Smart Power and Energy Research suggested the AER establish an observability or monitoring framework for emerging business models.

We agree with these concerns but note that secondary settlement points will be established and operated within the broader NER framework and AEMO's market systems (including market registration, metering and settlement). Matters relating to the operational visibility of secondary settlement points, monitoring their uptake and broader market participation arrangements primarily sit within AEMO’s remit and, where relevant, the AEMC through future rule reviews.

We will continue engaging with AEMO and the AEMC on broader visibility of secondary settlement point issues, where relevant.

3.2 Draft Retail Guideline proposed changes

Large customer protections and secondary settlement points

The amended NERR provides that the AER may exempt non-authorised financially responsible market participants (FRMP) of secondary settlement points who are servicing large customers. This is intended to promote innovation and reduce regulatory burden, by facilitating new energy services to large customers via secondary settlement points.[14]

Stakeholder submissions supported our view that non-authorised FRMPs (that are on-selling energy to large customers via a secondary settlement point) could rely on the existing R5 registrable retail exemption class.[15] We have confirmed this position in the draft Retail Guideline (p. 7).

ENM Solutions and Solarbank sought clarification on how the customer threshold operates where secondary settlement points are established, particularly where a customer occupies multiple premises or is located within an embedded network.

The NERR sets out customer classification thresholds based on a customer's annual energy consumption, which determines the consumer protections they should receive.

The customer's primary energy retailer will be responsible for determining whether the customer is classified as a small or large customer under the NERR (including whether eligible premises may be aggregated for this purpose). This includes where electricity is supplied through a secondary settlement point within an embedded network. The ability for a primary retailer to aggregate premises will depend on the NERR requirements and is not automatically available simply because the premises are occupied by the same customer.

Where a customer is ‘off market’, the exempt seller should apply the relevant customer classification set out in the Retail Guideline.

An exempt network service provider will need to know a customer's classification for the purpose of determining the consumer protections that apply (via exemption conditions) but will not be required to make a separate determination under the NERR.

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14 National Energy Retail Amendment (Unlocking CER benefits through flexible trading) Rule 2024, rule 151(1A).

15 R5 – Persons selling metered energy to large customers.

Small customer protections and secondary settlement points

For small customers, the amended NER sets out that only one entity (an authorised retailer) can be the FRMP for the primary connection point and any secondary settlement points within the premises.[16] In addition, the amended NERR clarifies that existing NERR consumer protections apply to secondary settlement point arrangements.[17]

Stakeholder submissions agreed that the Retail Guideline should not apply to such arrangements, given the Retail Guideline is not applicable to authorised retailers.

[16] National Electricity Amendment (Unlocking CER benefits through flexible trading) Rule 2024, clause 2.3.4(b2).

[17] National Energy Retail Amendment (Unlocking CER benefits through flexible trading) Rule 2024, rule 11A.

4 Reducing regulatory burden for commercial retrofits

Those seeking to retrofit a commercial embedded network must often navigate both the retail and network exemptions frameworks, including approvals and registration. The retail exemptions framework addresses consumer protections relating to the on-selling of energy to tenants, while the network exemptions framework focuses on the operation and control of the private network infrastructure and associated eligibility requirements. These processes are closely linked in practice and often progressed concurrently for the same site.

Currently, where a prospective exempt network service provider proposes to convert a site into an embedded network (a 'retrofit'), it must obtain AER approval via an application process. Once approval is granted, it can register the relevant network exemption class(es) to supply energy to customers at that site.

In addition to seeking retrofit approval, proposed exempt sellers of commercial sites in NSW, ACT, SA and QLD, where less than 100% of tenants have consented to the retrofit, must apply for an individual retail exemption under the Retail Guideline. This is a resource-intensive process for both the proposed exempt seller and the AER and includes a public consultation process.

As part of these processes, applicants must demonstrate that they have satisfied certain eligibility criteria. This includes submitting copies of marketing campaign materials that inform tenants of the:

- practical implications (including metering changes and impacts on retail choice)
- potential advantages and disadvantages of becoming an embedded network customer
- fact that customers retain the right to contract with a retailer of their choice.

Retrofit applicants must also provide evidence to the AER that they have obtained explicit informed consent from at least 85% of tenants at the site. This is achieved through signed consent forms, which the AER reviews for accuracy.

Historically, requiring retrofit applicants to apply for an individual exemption has allowed for conditions to be placed on the seller to address potential customer detriment arising from the loss of retailer contestability. However, our experience indicates that detailed assessment of applications, public consultation and a multi-layered approval pathway can result in a disproportionately heavy administrative burden when weighed against the risk of consumer harm. Not only do we rarely receive stakeholder submissions for retrofit applications, but commercial embedded network retrofits consistently meet high informed-consent thresholds, especially in shopping centres and industrial precincts. These sites also generally present lower consumer protection risks.

Our consultation paper observed the increase in individual exemption applications for commercial embedded network retrofits and proposed a way to streamline our regulatory requirements for the relevant exempt sellers.

4.1 Draft Retail Guideline proposed changes

Stakeholders unanimously supported the AER's proposed changes to streamline our commercial retrofit requirements. They agreed that the existing approval pathway for commercial retrofits is unnecessarily burdensome, particularly given the relatively lower risk profile of commercial sites compared with residential settings. Stakeholders observed the current process is resource-intensive and prone to delays and supported a new registrable retail exemption class for commercial retrofits, with self-certification upon registration.

New R9 registrable exemption class for commercial retrofits

As part of the AER's broader productivity initiatives,[18] we propose to introduce a new R9 registrable retail exemption class with bespoke conditions in the Retail Guideline (see excerpt below). This class captures the on-selling activities for persons selling metered energy to small commercial customers and/or large customers within the limits of a retrofitted site that they own, occupy or operate. These changes would not apply to residential retrofits, where consumer protection risks are greater.

Registrable exemption class	Application	Class criteria	Class Restrictions
Class R9 Persons selling metered energy to small commercial and/or large customers at a retrofitted site.	Applies (but is not limited) to bodies corporate, landlords, lessors or management corporations who sell energy within a site that has been retrofitted such as shopping centres, office buildings, airports, marinas and industrial parks.	Energy is used for premises within the limits of a site owned, occupied or operated by the person, and Each premises is separately metered, and The site has commercial, retail or industrial premises. Class must be registered in conjunction with R1 and/or R5 class exemption.	Class remains open. Only applicable for sites retrofitted on or after [DD Month YYYY], and the eligibility requirements in the Network Exemptions Guideline have been met,[71] or in circumstances approved in writing by the AER.

The AER proposes that the applicants register the new R9 registrable retail exemption class in conjunction with an R1[19] and/or R5[20] exemption class, which extends the core consumer protections to commercial embedded network customers. These conditions are comparable to those currently imposed on exempt sellers at retrofitted sites via individual exemptions.

The introduction of R9 means that a commercial retrofit exempt seller will only require an individual exemption if they cannot meet the criteria or conditions of the appropriate exemption classes. It also removes the requirement for mandatory public consultation (required as part of an individual exemption application process), while ensuring appropriate standardised consumer protections are maintained.

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18 AER, Letter from Clare Savage (AER Chair) to The Hon Jim Chalmers MP (Treasurer) outlining regulatory reform opportunities, 1 August 2025.

19 R1 – Persons selling metered energy to small commercial/retail customers within the limits of a site that they own, occupy or operate.

20 R5 – Persons selling metered energy to large customers.

This change will reduce end-to-end processing time, while streamlining approval processes and lowering compliance costs for applicants. This change will not impact customer protections for embedded network customers.

4.2 Draft Network Guideline proposed changes

In our consultation paper we discussed the proposal to remove the Network Guideline requirement for prospective exempt network service providers to obtain AER approval each time they wish to retrofit commercial sites into embedded networks.

Instead, these entities would be required to self-certify (as part of the exemption registration process) that they have:

- met the retrofit eligibility criteria
- included the required AER factsheet in their marketing campaign materials
- collected and recorded consent to the retrofit using the AER explicit informed consent form template
- declared that the information submitted is true, accurate and complete, and acknowledged that giving false or misleading information to a Commonwealth entity is an offence under the *Criminal Code Act 1995* (Cth).

The AER considers that replacing the current assessment process with self-certification will reduce overall regulatory burden for applicants. Eligibility for this new streamlined process would be limited to commercial sites and would not extend to sites that include residential customers or a mix of both commercial and residential customers. For these sites, the existing requirements under the Network Guideline would continue to apply, including the requirement to obtain AER approval before the retrofit can proceed.[21]

Stakeholder submissions broadly supported the proposal. Active Utilities observed it would reduce approval and implementation timeframes while maintaining confidence in the integrity of the exemptions framework.

Several stakeholders recommended that self-certification be paired with explicit transparency requirements. ENM Solutions recommended site maps, single-line diagrams and consent campaign materials be uploaded as part of registration process. The Centre for Smart Power and Energy Research advocated for mandatory record retention, audit rights, minimum evidence requirements and the development of compliance review triggers. Energy Queensland submitted that any self-certification and registration model should maintain strong customer protections, including compliance with relevant technical and safety standards and meaningful consultation with affected customers.

We have carefully considered these submissions but are of the view that exempt entities should be responsible for retaining sufficient records to demonstrate compliance with the eligibility requirements. This includes keeping relevant evidence such as customer consultation and consent records, steps taken to mitigate tenants' concerns and other records needed to show compliance with the conditions applicable where a tenant does not

[21] We maintain our position that this is appropriate given that residential customers generally have lower bargaining power and require stronger upfront regulatory safeguards. Conversely, commercial tenants are typically better placed to assess, negotiate and provide informed consent to changes in energy supply arrangements.

consent to the retrofit. If the AER is made aware of any potential non-compliance with the retrofit requirements, the relevant exempt entities must provide copies of the relevant documents to the AER upon request. We consider this approach maintains accountability and consumer protections, while reducing the administrative burden on exempt entities by having to upload customer information via the AER's portal.

Retrofit marketing campaign materials

The AER proposes to maintain the Network Guideline eligibility requirements for prospective exempt network service providers. This includes the requirement to run a marketing campaign with tenants, so they clearly understand the pros and cons of the retrofit proposal.

Our current guidelines set out the retrofit eligibility criteria, with a focus on ensuring customers understand the embedded network arrangement. However, there is currently no requirement to provide consistent information notices or consent documentation.

Marketing campaign information materials

In our consultation paper we proposed developing a retrofit marketing and consent campaign template that includes minimum standardised statements, covering key customer protections and disclosures.

Stakeholders broadly supported this proposal with some variation in how this should be implemented.

Active Utilities, the Centre for Smart Power and Energy Research, Energy Queensland and ENM Solutions supported fully standardised materials, citing the benefit of greater consistency in the information provided to customers. ENM Solutions noted that mandatory documents would also reduce the risk of key information being distorted. Energy Intelligence, Energy On and Solarbank supported a template format with minimum standardised statements but with added flexibility to include site-specific content.

Energy Bay and SCCA advocated for a principles-based approach, noting exempt network service providers may already have established marketing campaign materials.

Stakeholder suggestions as to what content should be prioritised included describing an embedded network, identifying consumer rights, embedded network benefits and risks, and stating that consent is voluntary. Other suggestions included information on energy pricing (Energy Intelligence, Energy Queensland, Solarbank), dispute resolution processes (Active Utilities, Energy On, Energy Queensland) and listing alternatives to embedded networks (SolarEdge Technologies).

Taking into consideration the diverse submissions, the AER has developed draft residential and commercial factsheets for stakeholder feedback. These factsheets are intended to educate customers including suggesting questions customers may wish to ask before making an informed choice.

We have clarified in the draft Network Guideline that prospective exempt network service providers can supplement this factsheet with site-specific information (for example the kind of information likely to vary from site to site such as dispute resolution particulars, CER availability, and pricing information). This is so long as it does not change or conflict with the content in the AER factsheet. This approach ensures all affected tenants receive a consistent baseline of relevant, plain-English information, while allowing providers to include additional information that is fit for purpose.

The AER proposes that the prospective exempt network service provider be required to provide tenants the relevant AER factsheet alongside the site-specific marketing materials. The AER further proposes to remove the existing Network Guideline obligation to provide tenants with the AER factsheet *How to access an authorised retailer of your choice if you live in an embedded network*. That factsheet is more relevant where an exempt selling arrangement is in place (which is not always the case with a retrofit) and exempt sellers are already required to provide it to their customers under Condition 2 of the Retail Guideline.

Explicit informed consent template

The AER has observed a diverse and inconsistent range of explicit informed consent (EIC) forms previously provided to the AER for review. We consider there is merit in developing a uniform EIC form template, with mandatory plain-English statements.

We propose the EIC form template in its final form will be a PDF form with editable fields. However, prospective exempt network service providers will be permitted to replicate it electronically to suit their internal systems and processes, so long as the content isn't materially altered.

We have amended the draft Network Guideline to require these approved documents to form part of the marketing and consent materials as part of any eligible self-certification process.

Parties seeking a network exemption to retrofit a commercial embedded network would need to declare that:

- the relevant factsheet and EIC form were included in the marketing and consent campaign provided to tenants
- tenant consent was obtained based on those materials.

The AER has published the draft factsheets and proposed EIC form template with this notice and we welcome stakeholder feedback on the proposed content. We plan to publish final versions alongside the final guidelines, incorporating practical updates (such as editable tenant fields in the EIC form template).

Record retention

Version 7 of the Network Guideline requires exempt network service providers to retain EIC evidence for 2 years from the point AER approval is granted.

The Centre for Smart Power and Energy Research submitted that a self-certification model should be supported by sufficient record retention. Given the AER will no longer be assessing EIC records under our proposed retrofit process changes, we consider there is merit in reconsidering the EIC records retention timeframe.

We have proposed increasing the number of years that exempt network service providers be required to maintain customers' EIC evidence from 2 to 5 years in the Network Guideline. The longer retention period recognises the importance of consent records to tenants' long-term interests and supports the AER's ability to take appropriate action if compliance concerns arise.

We consider a period of 5 years a proportionate requirement as it aligns with general business record-keeping practices, making it easy for exempt network service providers to implement. This is also balanced by the removal of the burden on prospective exempt network service providers to submit records for assessment.

Transitional approach for active marketing campaigns

We recognise that marketing campaigns for retrofit projects can take many months to complete. We also consider it important that tenants have time to review a proposal before giving consent. For example, some tenants may need approval from a parent company or may want the prospective exempt network service provider to address specific questions or concerns before they decide.

We acknowledge that some prospective exempt network service providers may already have active marketing campaigns underway when the final guidelines are released and the retrofit process for commercial sites changes.

For this reason, we consider it practical for 6 months after the final guidelines are released to give affected prospective exempt network service providers two options:

1. **Restart their marketing campaign under the new process** – this means using the new AER factsheet and explicit informed consent form, then registering the relevant exemptions once the prospective exempt network service provider has obtained explicit informed consent from at least 85% of tenants.

2. **Continue with their original marketing campaign** – this means applying to the AER for a retrofit assessment under the current process.

We consider this approach should help manage administrative costs for applicants and avoid unnecessary delays to retrofit projects.

5 Additional clarifications

5.1 Draft Network Guideline proposed changes

Metering data protections and installation security

The Essential Services Commission of South Australia's (ESCOSA) recent review of electricity metering requirements[22] identified some protection gaps for off-market customers in exempt networks.[23] This included a lack of clarity around how metering data is handled and how metering installations are secured in embedded networks for off-market customers, compared to NER protections for on market customers.[24]

We propose to introduce two new general exemption conditions in the Network Guideline to close these gaps:

- Confidentiality of metering data (Condition 1.20)
- Security of metering installations (Condition 1.21).

These proposed changes extend equivalent protections to metering arrangements not directly captured by the NER framework. They will also support the effective implementation of flexible trading reforms, by reinforcing the integrity and reliability of metering data underpinning secondary settlement point and related arrangements.

The AER considers these conditions are necessary to clarify the responsibilities of exempt network service providers, particularly where Metering Coordinators are not present.

These clarifications complement the broader reforms reflected in this review, including the increasing role of metering data in enabling flexible trading, secondary settlement points and new energy services. By strengthening the integrity, security and appropriate use of metering data, we consider these proposed conditions will support more consistent customer protections across the NEM and improve confidence in emerging, data-enabled market arrangements.

Third-party embedded generation and storage systems

Under the NDO1, NRO1 and NRO2 exemption classes in version 7 of the Network Guideline, larger third-party generation and storage systems connected to an exempt network must be reviewed by AEMO as a condition of eligibility for the exemption class. Currently, this requirement applies where the aggregate nameplate rating of the system is 5 MW or more.

AEMO has identified opportunities for the AER to address potential ambiguity around how the requirements of the NDO1, NRO1 or NRO2 network exemption classes interact with AEMO's regulatory framework.[25]

[22] ESCOSA, Review of electricity metering requirements, 2 January 2026.

[23] ESCOSA, Review of electricity metering requirements – Final decision, May 2026, section 4.2 (pp. 17-20).

[24] NER, r 8.6 and cl 7.15.1 (Confidentiality), and cl 7.15.2 (Security of metering installations).

[25] AEMO, Guide to Registration Exemptions and Production Unit Classifications, 1 June 2023.

The AER proposes to clarify the circumstances in which an embedded generating system or integrated resource system must obtain AEMO review as a condition of eligibility for an exemption class, including that:

- the relevant threshold is to be applied on an aggregate basis at the relevant connection point, consistent with the AEMO's regulatory framework governing embedded generating systems and integrated resource systems, and
- a further AEMO review is required where an increase in capacity results in, or maintains, an aggregate nameplate rating at or above 5 MW, to ensure that larger systems remain subject to appropriate technical assessment.

These changes are intended to improve clarity and operability of AEMO and AER exemption frameworks, reduce the risk of inconsistent interpretation by stakeholders, and ensure system security and appropriate oversight of larger embedded production units.

These clarifications complement the broader reforms proposed in the draft Network Guideline, including updates to reflect the amended definition of 'distribution system', and measures to streamline exemption requirements while maintaining appropriate consumer safeguards.

Definition of 'retrofit'

The term 'retrofit is currently defined in the Network Guideline as the conversion of an existing network distribution system into an embedded network.

While this captures the outcome of a retrofit project, it may create ambiguity because a site can meet the NER definition of an 'embedded network' in circumstances that do not involve the conversion of an existing multi-tenanted development. The AER's retrofit policy is directed at existing sites with multiple separately connected premises – such as shopping centres, office buildings, apartments, retirement villages, and industrial estates – where those individual connections are consolidated and customers subsequently receive supply through metered child connection points behind a shared metered parent connection point.

To better reflect this intent, the amended definition describes a retrofit as the:

"*Conversion of a brownfield site*[26] *(with multiple premises that are separately connected to the local distribution network) into an embedded network with a metered parent connection point supplying those premises through metered child connection points*."

The revised definition provides greater clarity regarding the types of projects eligible for the retrofit pathway and aligns the guideline terminology with the way retrofitting is commonly understood in the embedded network sector.

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[26] Defined in the Glossary to the Network Guideline as '[a]n existing site, being a parcel of land, which is already developed and contains assets and services but is not configured as an embedded network'.

6 Hot water and centralised air conditioning in NSW

Version 7 of the Retail Guideline sets out that the AER does not consider the sale of chilled and bulk hot water a 'sale of energy' under the NERL and NERR. The NERL defines energy as 'electricity or gas or both'. Entities solely supplying these services are not required to seek an exemption from the requirement to hold an authorisation. This is because the NERL only requires energy sellers to hold a retailer authorisation or exemption if they sell energy to a person for premises.

In March 2025, the NSW Government amended NSW laws for embedded network customers, including changes to the *National Energy Retail Law (Adoption) Act 2012* (NSW). The amendments have applied the NERL (NSW) and NERR to the sale of bulk hot water and centralised air conditioning supply in NSW in certain circumstances from 1 July 2026.[27] These services are referred to as 'embedded network commodities'.

The Independent Pricing and Regulatory Tribunal (IPART) will be responsible for setting and regulating billing standards and embedded network commodity prices for NSW embedded network sellers.[28]

The NSW amendments impose obligations on sellers of embedded network commodities in NSW, in addition to any obligations that apply under the AER's exemptions framework. If there is any inconsistency between jurisdictional requirements (such as pricing obligations) and the AER's exemptions framework, the jurisdictional legislation should take precedence.

The amendments do not expand the AER's exemptions framework to sellers of bulk hot water or centralised air conditioning.

The AER's preference is for uniform regulation to apply across the National Energy Customer Framework (NECF). We understand that the Department of Climate Change, Energy, Environment and Water is currently considering how consumer protections relating to bulk hot/chilled water services could be introduced into the NECF, as part of its *Better Energy Customer Experiences* review.[29]

6.1 Draft Retail Guideline proposed changes

We have expanded an existing footnote in the draft Retail Guideline (p. 4) to clarify that jurisdictional legislation may impose additional obligations in relation to the sale of chilled and bulk hot water.

[27] Via the *Electricity Supply Amendment (Miscellaneous) Regulation 2026.*

[28] A person who sells energy, hot water or centralised air conditioning to an embedded network customer.

[29] Department of Climate Change, Energy, Environment and Water, Better Energy Customer Experiences Consultation Paper, 27 March 2025.

Glossary

Term	Definition
Consumer energy resources (CER)	Consumer energy resources are distributed energy resources that are owned or leased by residential and small-business consumers (or groups of consumers) that: generate or store electricity, or can alter demand in response to external signals, and includes consumer loads that are flexible and efficiently optimised either through automation or direct behavioural response.
Energy service provider	A person who provides services related to energy but does not necessarily participate directly in the wholesale market (as would be the case for a market participant). For example, a solar PV installer, battery provider, Virtual Power Plant operator, embedded network operator.
Excluded metering installation	A metering installation, including the metering panels and associated sundry equipment but not incoming sub-mains or outgoing service wiring, that satisfies all the following criteria: (a) the metering installation is not owned, operated or controlled by a Network Service Provider, and (b) a Metering Coordinator has been appointed for the metering installation under Chapter 7 of the NER.
Flexible trading	A market arrangement enables the separation of controllable energy resources from other electricity use at a customer's premises so that those resources can be managed or traded by different energy service providers while the customer remains on their existing retail plan.
Market participant	A person who is who is registered by AEMO under Chapter 2 of the NER as a: Market Generator; Integrated Resource Provider (other than a Non-Market Integrated Resource Provider); Market Customer; Demand Response Service Provider; Market SAPS Resource Provider; or Market Network Service Provider.
Primary retailer	For a small customer, the financially responsible retailer for the customer's premises. For a large customer, the financially responsible market participant (FRMP) under the NER for the premises connection point.
Single user network	A network (excluding a network owned, operated or controlled by a Network Service Provider) that satisfies all the following criteria: (a) the network is within the limits of a site that a Registered Participant does not own, control or operate (b) any connection assets associated with the network provide a connection service only within the limits of that site and only to one or more of the following: (1) a person that owns, controls or operates the site (the site owner) (2) a Registered Participant or Metering Provider (3) a person that supplies services to the site owner to manage the use or production of electricity at the site, or (4) the owner of plant installed at the site that the site owner: (i) operates or controls, or (ii) allows a person mentioned in subparagraph (2) or (3) to operate or control, or

	(5) a person using plug-in equipment to supply services at the site.
Small Resource Aggregator	An Integrated Resource Provider (IRP) who has classified a small resource connection point as one of its market connection points.
Large Customer	A business customer who consumes energy at business premises at or above the upper consumption threshold – 100 megawatt hours per annum for electricity (under the National Energy Retail Regulations) – unless otherwise specified in the regulations in force in the relevant jurisdiction.
Production unit	Plant used in the production of electricity and all related equipment essential to its functioning as a single entity. Generating units and bidirectional units are production units.