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[redacted]

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Rebecca Holland

General Manager (a/g) – Compliance, Enforcement and Surveillance

Australian Energy Regulator

By email: AERexemptions@aer.gov.au

Re: Exemption Guidelines Review – Consultation Paper (May 2026)

Dear Ms Holland,

SolarEdge Technologies (SolarEdge) welcomes the opportunity to respond to the AER's *Exemption guidelines review* consultation paper of May 2026 (the Consultation Paper). SolarEdge is a manufacturer of hybrid inverters, battery storage and associated energy-management technology, with a large and growing installed base of consumer energy resources (CER) across Australian homes and businesses. Our technology underpins CER services delivered by a broad range of market participants. Our primary interest in this review is that the exemptions framework enables the fullest possible utilisation of CER for the benefit of consumers, across the full range of commercial models through which that value can be delivered.

We support the AER's objectives of aligning the exemptions framework with the AEMC's flexible trading reforms and of removing duplicative regulation where the National Electricity Rules (NER) have already excluded an arrangement from the definition of a distribution system. We strongly support the proposed Network Guideline changes. This submission supports the reforms broadly and seeks a small number of clarifications so that the framework accommodates the full range of CER service models on a consistent basis — including retailer-led virtual power plants (VPPs), which are already delivering value to residential customers and which our technology underpins, and aggregation under the Small Resource Aggregator (SRA) role — without inadvertently privileging one model over another.

We have framed our comments around the long-term interests of consumers, consistent with the National Electricity Objective and National Energy Retail Objective that guide the AER's assessment. The reforms' greatest potential is to increase the value households and businesses obtain from CER and to widen access to it. Several of the clarifications we seek are directed at ensuring the framework keeps pace with the range of CER configurations and service models likely to emerge.

This submission is provided on a **non-confidential** basis and may be published in full.

Summary of SolarEdge's position

- **Overall.** We support reforms that maximise CER utilisation and broaden consumer access. The framework should accommodate retailer-led, independent and manufacturer-affiliated aggregation on a consistent footing.
- **Question 1 (Network Guideline).** Support. The clarification that no network exemption is required because a metering installation is a secondary settlement point, or because a third party operates customer CER behind it, removes a real barrier. We seek four drafting refinements — most importantly that the exclusion clearly and durably cover bidirectional battery systems and CER held under a range of ownership models.
- **Question 2 (large customers / R5).** Support relying on the existing R5 class rather than creating a new one, and confirm that R5 adequately covers the range of SRA activity at large-customer secondary settlement points.
- **Question 3 (small customers).** We accept the single-FRMP determination and do not ask the AER to reopen it. But the benefit the reforms intend depends on the customer's retailer offering a wholesale-referenced secondary settlement point — and the single-FRMP rule forecloses the competition that would otherwise discover such an offer, while offering one remains voluntary. Absent that competition, we argue the best available outcome is a facilitated, voluntary convergence by retailers on a common set of principles (symmetric, at-least-wholesale pricing, the customer's choice of operator, assignable payments, portability and clear disclosure), underpinned by a genuine portability regime; and we set out practical steps by which the AER can facilitate it — model terms, common interfaces, a standardised transfer process, and extended comparison facilities — so that competition at the retailer level does the work competition at the secondary settlement point cannot. We also record the innovation the rule forecloses, and the self-consumption pricing detriment that arises without symmetric, wholesale-referenced pricing.
- **Questions 4–7 (commercial retrofits).** We do not oppose proportionate burden reduction. We ask that the same discipline be applied to the flexible trading pathway, and that tenant consent materials disclose flexible trading as an alternative to joining an embedded network, in the interests of informed consumer choice.

Question 1 – Proposed Network Guideline amendments

Are there any aspects to the proposed Network Guideline amendments, to reflect the flexible trading rule changes, that raise concerns for stakeholders?

SolarEdge **strongly supports** the proposal to adopt the revised NER definition of "distribution system" and to confirm that a network exemption is not required: (a) merely because a metering installation is established as a secondary settlement point; or (b) where a third party such as an FRMP or SRA has operational control of customer CER behind that point.

This corrects the outcome described in Appendix A of the Consultation Paper, under which a customer is presently drawn into the exemptions framework simply because an SRA takes operational control of the customer's CER, with the result that the customer is treated as providing distribution services to the SRA. That outcome deters consumers from engaging an aggregator at all and is the kind of duplicative regulation the AEMC sought to remove. We agree it should go.

To ensure the amendment achieves its purpose, we ask the AER to address the following in drafting the revised Network Guideline:

- **Capture bidirectional units, batteries and hybrid configurations explicitly.** Appendix A and the current guideline are framed largely around "generating systems". A secondary settlement point on a battery both consumes and generates — importing when charging and exporting when discharging — with both directions netted against the primary connection point under subtractive settlement. The revised guidance should state, on its face, that the "no exemption required" treatment applies equally to bidirectional units, batteries and hybrid inverter systems, not only to generating systems, so that the ordinary charge-and-discharge case is unambiguously covered.
- **Confirm the treatment of financed, leased and third-party-owned CER.** The proposed wording turns on CER being "customer-owned". Ownership models in which the customer does not hold title to the equipment — lease, hire, CER-as-a-service and third-party ownership — are well established in comparable markets such as the United States and may develop further in Australia, where they are presently uncommon. A narrow reading of "customer-owned" should not inadvertently exclude such models if and as they emerge. We ask the AER to confirm that the exclusion applies wherever the CER is installed at and serves the customer's premises, regardless of who holds title — consistent with the NER "single user network" definition, which expressly contemplates plant that the site owner allows a service provider to operate or control. Relatedly, financed and third-party-owned CER is financeable only if the party carrying the capital can take a direct claim on the revenue the CER produces. The framework should therefore not impede a customer assigning the entitlement to the payments the retailer settles for energy at the relevant connection or secondary settlement point — to the owner or financier of the CER, or to another party the customer nominates to realise that value on their behalf, and capable of onward assignment to whichever party ultimately carries it. Financing is the clearest case, but operation, aggregation and procurement arrangements rely on the same ability; an entitlement assignable only to whoever financed the equipment would exclude them. Because these models are how renters and capital-constrained households gain access to

CER they cannot purchase outright, supporting assignability of that payment entitlement directly serves the consumer-access objective. Assignment also presupposes the value is paid as money rather than solely as a credit against the customer's own bill, which we encourage the framework to accommodate.

- **Provide a residential worked example.** Case Studies 1 and 2 are both commercial. The residential segment is where uncertainty most affects consumer and installer behaviour. We ask the AER to add a residential example — a household with a hybrid inverter and battery that gives operational control to an aggregator for VPP participation — confirming that this is a single user network with an excluded metering installation and requires no network exemption.
- **Confirm clean transitional treatment.** Arrangements that currently sit, on the Appendix A reading, within deemed or registrable network classes should move out of the exemptions framework on commencement where they meet the single user network test, without any re-registration step, deeming gap or compliance exposure during transition.

Question 2 – Large customers and existing class R5

Do stakeholders agree that non-authorised FRMPs selling energy at secondary settlement points within the premises of large customers can be adequately captured by the existing registrable retail exemption class R5?

SolarEdge agrees. A bespoke class for SRAs and other non-authorised FRMPs serving large customers would add complexity and slow the services the reforms are intended to enable. R5 is the right home: large customers are sophisticated parties consuming at or above the 100 MWh threshold, and the framework already calibrates protections accordingly. We support reliance on R5 and do not consider an additional class necessary. We note this large-customer pathway — an SRA classifying a secondary settlement point as its market connection point — is the one the AEMC's final determination expressly contemplates for SRAs, and R5 is well suited to it.

Two points would give the market the certainty needed to invest:

- **Confirm R5 is sufficient for the full range of SRA activity.** A battery operated at a large-customer secondary settlement point will, through ordinary charge-and-discharge, both export to the grid and serve the customer's on-site load (netted against the primary connection point under subtractive settlement). We ask the AER to confirm that R5 adequately covers this range of activity — including where discharged stored energy serves the large customer's own load — so that no separate class or individual exemption is required.
- **Avoid disproportionate conditions.** Any scenario-specific conditions on R5 should be confined to what is genuinely necessary for the large-customer context and should not import residential-style protections this cohort does not need. Over-conditioning R5 would undercut the efficiency the AER is seeking.

Question 3 – Small customers and secondary settlement points

Do stakeholders foresee any scenarios where a non-authorised FRMP would engage a small customer via a secondary settlement point arrangement (for example, non-traditional service offerings)?

Our answer is yes: non-authorised FRMPs already engage small customers, and more such services would follow. But the question raises a larger one — whether the value of flexible trading will, in practice, reach small customers at all — and our answer to that question frames everything below.

In the commercial segment, an attractive offer is discovered by competition: a customer dissatisfied with one provider can engage another, and that contestability disciplines the offers made. For small customers, the single-FRMP rule — which we accept, for the reasons below — closes that mechanism at the secondary settlement point, because the customer's retailer is the only party that can establish and settle one, and there is no rival provider to compete an offer into existence. Absent that competitive discovery mechanism, the best outcome available within the rule is a facilitated, voluntary coalescence by retailers around a common set of principles for a secondary settlement point offer, underpinned by a genuine portability regime — so that competition at the level of the retailer relationship can do the work that competition at the secondary settlement point cannot. We address, in turn: why we accept the single-FRMP rule; what it forecloses; why an offer's pricing — symmetric and at least wholesale — decides whether it helps or harms the customer; why a workable offer is not assured; the principles such an offer embodies; and the practical steps by which the AER can facilitate voluntary convergence and portability.

We accept the single-FRMP rule, and do not ask the AER to reopen it. The AEMC has determined that small customers have a single FRMP across the primary connection point and any secondary settlement point (cl 2.3.4(b2)), and we accept that for the reasons the AEMC gave. We note only that it is a policy choice, not a technical necessity: subtractive settlement accounts for bidirectional flows identically at residential and commercial sites and already underpins multiple-FRMP arrangements for large customers, so nothing in the metering or settlement prevents the same in residential. The constraint is the rule, which the AEMC has reserved for future review.

A narrow clarification would help. For ordinary customers, small-customer status is clear from their consumption; it is only at the margin — where a customer charges storage through a secondary settlement point and returns it to the grid — that the 100 MWh test is ambiguous, turning on whether classification follows the customer's own-use consumption or total throughput. We suggest it should follow genuine own-use consumption, so that taking part in flexible trading does not, by itself, move a household into a different customer category, and we ask the AER to confirm the position.

What the rule forecloses — for the record. Non-authorised FRMPs already serve small customers today, through residential virtual power plants, battery aggregation, EV-charging and solar-optimisation services provided under exemptions and operational-control arrangements. The flexible trading framework is designed to support such services more efficiently through secondary settlement points, and for large customers it now does; for an otherwise identical small customer it does not. We record this asymmetry for the AEMC's reserved review, and ask only that, in giving effect to the rule, existing exempt residential arrangements that do not rely on a separate FRMP are not disturbed.

Pricing decides whether the rule helps or harms the customer. Under subtractive settlement, energy a customer generates and consumes on site is deemed exported at the secondary settlement point and re-imported at the primary connection point — so the customer receives the export price and pays the import price on energy they produced and consumed at home, where it once netted at full value. Under a feed-in or fixed export rate the customer loses that spread (on the order of two dollars a day for a household self-consuming around 8 kWh). Three pricing dimensions decide whether an offer delivers, each a floor and not a ceiling:

- **A wholesale floor on the export price, set by the mechanism itself.** The FRMP is settled by AEMO at the wholesale spot price for energy exported at the secondary settlement point, so crediting the customer at least that price passes through what the FRMP receives, at no net cost to the FRMP on those flows. A lower export price credits the customer less than the FRMP is settled for that energy.
- **Symmetry between export and import, as the minimum that protects self-consumption.** Self-consumed energy nets out only when the export price is at least equal to the import price; pricing both sides with reference to the wholesale market achieves this on the energy component, and an export price above the import rate leaves the customer better off still.
- **No network charge on the deemed self-consumed import.** That energy does not physically traverse the network, so the deemed import is a settlement artefact rather than genuine network use.

On these, we ask the AER to act. It should recognise the detriment and encourage symmetric, at-least-wholesale pricing on residential secondary settlement points. On the network charge — the element that remains after symmetric energy pricing, and the one that most affects an arrangement whose value comes from self-consumption rather than export — it should confirm whether it is within the FRMP's discretion to allocate network charges to genuine grid imports at the primary connection point only, and not to the deemed self-consumed import; and if it is not, identify which body and instrument must resolve it. This is determinative rather than a technical detail: it can be the difference between an arrangement that delivers value to the customer and one that does not, and we ask that it be resolved rather than left unsettled.

A workable offer is not assured. The AEMC has confirmed that secondary settlement points are voluntary. With no rival provider at the secondary settlement point, a customer's access depends entirely on their own retailer choosing to offer one, on reasonable terms. The incentive to do so is structurally mixed: an offer priced that way returns to the customer value that subtractive settlement would otherwise leave with the FRMP, so it may not be commercially rational for a retailer to volunteer one unprompted — a feature of the mechanism, not a matter of conduct, and many retailers will offer competitive products, as some already do. But where a customer's retailer does not, the customer's only recourse today is to change retailers entirely, realising the benefit through switching friction rather than through their existing relationship. We ask the AER to clarify whether a retailer is required to establish and accommodate a secondary settlement point for a small customer who requests one — including permitting the customer to authorise a third party to operate the relevant resources — or whether this is discretionary; and, if discretionary, to ensure customers understand the position.

The principles a value-delivering offer embodies. So that customers can recognise, and the market can converge on, an offer that delivers the policy intent, we suggest its attributes are:

- symmetric pricing of export and import, so that energy the customer self-consumes is not penalised by the subtractive deeming, with the wholesale price as a floor (not a ceiling) so the customer captures at least the market value of their energy;
- network charges applied to genuine grid imports at the primary connection point only, not to the deemed self-consumed import, where this is within the retailer's discretion;
- pricing that is transparent, and stable for the term, so the basis cannot be varied unilaterally to withdraw the value after the customer has committed;
- the customer's choice of who operates and dispatches their resources — an independent provider, alongside or instead of the retailer's own service — so the choice of provider remains the customer's;
- individual settlement and attribution of secondary-settlement-point flows at the wholesale-referenced price, with metering-data access for the customer and the customer's nominated agent;
- the ability to assign the payment entitlement — to the owner or financier of the resources, or to another party the customer nominates to realise that value, with onward assignment — so that financed, operated and third-party-delivered models, the means by which renters and capital-constrained households access CER, remain workable;
- establishment of the secondary settlement point and associated metering on reasonable, non-prohibitive terms;
- portability of the whole arrangement if the customer changes retailer; and

- clear, prior disclosure of the self-consumption impact and of whether the price is wholesale-referenced or fixed.

How the AER can facilitate voluntary convergence and portability. Convergence on these principles serves customers and retailers alike: the customer captures the value of the resources they funded; the retailer that offers such a product retains and attracts the customers most engaged with the energy transition; and the system realises the deployment benefits the reforms intend. Because residential lacks the competitive discovery mechanism that produces good offers in the commercial segment, the constructive role for the AER is to build a substitute — to lower the friction of acting on a better offer, and to give customers the means to find one. Within its functions, and working with AEMO and other bodies, the AER could:

- publish a model or reference set of terms for a residential secondary-settlement-point offer reflecting the principles above, giving retailers a common, low-cost template on which to converge;
- first, work with the peak bodies for the consumer energy resources industry and for energy retailers to establish whether there is the commercial appetite to offer a common secondary settlement point product — the demand has to exist at a business level before the mechanism is worth building; and
- then, once that appetite is established, engage distributors, AEMO and metering providers on the delivery mechanisms — common interfaces for establishing a secondary settlement point, accepting third-party dispatch, and accessing metering data;
- work with AEMO to standardise the transfer of a customer's secondary-settlement-point arrangement — the metering, the nominated-operator authorisation, and the assignable payment entitlement — so that it survives a change of retailer cleanly: a genuine portability regime;
- extend its consumer comparison facilities, such as Energy Made Easy, to secondary-settlement-point and CER products, so customers can discover and compare offers across retailers;
- require standardised disclosure of secondary-settlement-point offer terms, so that comparison is meaningful; and
- monitor and report on the emergence of offers, making the state of the market visible.

Taken together, these steps make switching to a better offer low-friction, and a better offer easy to find — restoring, at the level of the retailer relationship, the competitive discipline the single-FRMP rule removes at the secondary settlement point.

What is at stake if convergence and portability do not emerge. The cost of inaction is not neutral; it falls on the transition these reforms are meant to advance. Without a voluntary convergence on these principles and a genuine portability regime, the following consequences follow.

- **Renter access to the energy transition.** Around a third of Australian households rent, and many live in homes whose roofs are physically well suited to solar and storage. They are largely excluded from rooftop consumer energy resources by a split incentive: the party who would fund the system — the owner — is not the party who would benefit from a lower bill — the occupant — so neither acts, and a large share of suitable roofs sits unused. This is the single largest pool of residential capacity the reforms could reach, and a matter of public-policy concern on both equity and system-capacity grounds. An arrangement in which the owner installs the asset and the occupant keeps the self-consumption benefit as a lower bill can resolve the split incentive — but only where the payment entitlement is assignable, so the owner's investment is bankable, and the arrangement is portable across both a change of occupant and a change of the occupant's retailer, given the churn inherent in rental housing. Without assignability and portability this segment cannot participate at all; with them it can.

- **Bankability — for retailers as much as for independent providers.** Financing the asset against the energy revenue it produces is what lets an owner-occupier take up consumer energy resources without paying cash upfront. The retailer-led version of this — bundling the asset, its finance and the energy contract — has largely struggled in the market, and instructively so: to amortise the asset the retailer has needed to lock the customer into a contract longer than customers have proved willing to sign, and rising financing costs have seen many such offers withdrawn; consumer bodies have separately flagged the long lock-in terms and exit fees these bundles have carried. Portability and a price floor change that calculus. With a portable, assignable revenue stream, the finance rests on the asset and its energy value — which survive a change of retailer — rather than on a lock-in the customer rejects; and because customers in practice stay with a retailer far longer than they will contract to, through inertia and ordinary switching friction, the retailer keeps the relationship in all but the exceptional case. The same certainty lets independent financiers compete to offer the asset on terms a lock-in contract never allowed. Without it, financed offers stall for retailer and independent provider alike, and uptake narrows to the households able to pay cash upfront — deferring the value the reforms are meant to unlock.

- **Adoption chilled by uncertainty.** Even for owner-occupiers, an investment whose return depends on a discretionary, non-portable offer carries an uncertainty premium — longer payback, higher hurdle rates, slower uptake. The reforms exist to unlock the value of consumer energy resources; where that value is uncertain, the investment that would realise it is deferred.

- **Trust, which these offerings cannot scale without.** Virtual power plant and similar offerings have met significant customer hesitancy, and consumer bodies and the consumer regulator have identified a recurring cause: customers are often unsure what they are agreeing to — how and when their asset will be operated, what they will be paid, and the contract terms and exit costs they are accepting, particularly where financing is bundled in. A common floor of terms, with standardised disclosure, speaks directly to this: it makes offers comprehensible and comparable, so a customer can understand and trust what they are signing. Mass adoption of consumer energy resources depends on confidence; without a baseline of transparency, hesitancy persists and the participation the reforms rely on is held back. The industry needs this as much as customers do.

- **Lock-in, and reduced retail competition.** Without portability, a customer who obtains a good arrangement is effectively tied to that retailer, because switching strands it — making customers sticky through asset lock-in rather than satisfaction, and deterring others from committing to consumer energy resources in order to preserve their freedom to switch. Either way it cuts against the competition the national framework is built on. Portability is pro-competition; its absence is not.
- **Delay compounds, and fragmentation hardens.** These reforms have taken years to reach this point, and a residential pathway left to a future rule review may take years more — deferring the deployment, peak-demand relief and decarbonisation the reforms are meant to bring forward, against a transition that is on a clock. In the interim, each retailer that does offer a product will build it bespoke; once non-interoperable arrangements are entrenched, retrofitting portability becomes far harder and dearer. A voluntary convergence can begin now, without waiting for rule change, and it is far cheaper to set the pattern early than to unpick fragmentation later.
- **System benefits foregone, with the cost borne by all consumers.** Residential is the largest segment of consumer energy resources by number. Orchestrated through flexible trading, it relieves peak demand, firms the system, absorbs midday solar and defers network and generation investment — benefits that flow to every consumer. If residential resources are not orchestrated because their value neither reaches customers nor can be financed, those benefits are foregone and the costs they would have avoided fall on all consumers. The public-interest case on which the reforms rest is undercut if these last-mile conditions go unmet.

This is the best outcome available within the rule as it stands: not the regulation of a competitive market, but the facilitation of a voluntary convergence on principles that serve customers and retailers alike, made real by genuine portability. The consequences above are not hypothetical — absent that convergence, they are the default. The alternative — leaving motivated customers no option but to change retailers, offer by offer, to chase value the framework intended them to have — serves no one.

Questions 4 and 5 – New registrable retail exemption class for commercial retrofits

Do stakeholders support removing the existing retrofit application requirement and developing a new registrable retail exemption class for commercial retrofits, and are the proposed conditions appropriate?

SolarEdge does not oppose proportionate reductions in regulatory burden for wholly commercial embedded network retrofits. The AER's evidence — consistently high consent thresholds, negligible public submissions and lower consumer-risk profiles — appears to support a registrable rather than individual pathway. We make two observations directed at consistency rather than at the merits of the conditions.

- **Apply the same discipline to the flexible trading pathway.** It would be incongruous to streamline the embedded network route while leaving residual friction on the flexible trading / SRA route the AEMC has expressed a preference for. The efficiency rationale in section 4 applies with at least equal force to CER aggregation, and the clarifications we seek under Question 1 are its counterpart.
- **Retain the eligibility safeguards.** We support retention of the marketing campaign, the 85% explicit informed consent threshold, the offer-matching obligation for non-consenting tenants and the rectification of duplicated network charges. These keep the comparison between the embedded network and flexible trading options fair to consumers.

Question 6 – Self-certification for commercial retrofit network exemptions

Do stakeholders support replacing AER approval for commercial retrofits with a self-certification and registration option?

SolarEdge is broadly supportive, subject to the consistency point above. Self-certification backed by standardised statements and the existing eligibility criteria is a reasonable trade for the low-risk, high-consent commercial cohort the AER describes, provided the AER retains the ability to audit and to act on non-compliance after the fact.

Question 7 – Standardised marketing and consent materials

Do stakeholders support the AER developing marketing and consent campaign materials with minimum standardised statements? If yes, what content should be prioritised?

Yes. Standardised, plain-English statements improve the quality of consent and reduce compliance cost. We ask that the prioritised content include, in addition to the disclosures the AER already contemplates:

- **Disclosure of the flexible trading alternative.** Tenants asked to consent to an embedded network retrofit should be told, in plain language, that flexible trading and CER services may be available as an alternative to joining the embedded network, and that joining may affect their access to those services. Genuinely informed consent requires that the alternative be named. This is consistent with the AEMC's preference for flexible trading and with the AER's emphasis on retail contestability.

- **A clear statement of retained rights.** The customer's right to contract with a retailer of their choice, subject to jurisdictional limits, and the practical metering and pricing implications of the arrangement.
- **A standardised price-comparison statement.** Consistent with the version 7 tariff-publication obligations, so that consent is given against a like-for-like comparison rather than marketing claims.

Closing

SolarEdge supports the direction of this review. The Network Guideline changes are a genuine and welcome reform; reliance on R5 for large customers is sensible; and on small customers we accept the single-FRMP determination and, in answer to Question 3, set out how the AER can facilitate a voluntary convergence on common secondary-settlement-point principles and a genuine portability regime — the best outcome available where the rule forecloses competition — while placing the foreclosed innovation on record for the AEMC's reserved review. Our requests of the AER are confined to the Network Guideline clarifications at Question 1 — in particular that the framework clearly and durably accommodate bidirectional battery systems and CER held under a range of ownership models — the confirmation sought at Question 2, our proposals at Question 3 for a facilitated, voluntary convergence on common secondary-settlement-point principles and a genuine portability regime (with the related consumer protections — symmetric, at-least-wholesale pricing, clear disclosure, resolution of the network charge on deemed self-consumed import, and the protection of existing exempt residential arrangements), and the consumer-information improvements at Question 7. We would welcome the opportunity to discuss any of these with the AER.

Yours sincerely,

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