

5 August 2026

Ms [REDACTED]
Executive General Manager, Consumer, Policy and Markets Division
Australian Energy Regulator (AER)

Submitted via email [REDACTED]

Dear Ms Jolly

Endeavour Energy's Submission to AER's Call for Input – Review of Ring-fencing and Shared Asset Guidelines

Endeavour Energy welcomes the opportunity to provide input to the AER's Call for Input to inform its scope and approach to the [Review of Ring-fencing and Shared Asset Guidelines](#) (the **Review**). We are supportive of the intent of the Review to ensure that the regulatory guidelines continue to be fit-for-purpose as the system evolves.

We acknowledge the AER's intent to work closely with the Australian Energy Market Commission (**AEMC**) as it undertakes its Electricity Network Regulation Review (**ENRR**), which is set for completion in December 2026. The ENRR involves a thorough review of the broader network regulation framework, including ring-fencing and shared assets, and will explore whether fundamental changes are needed to regulatory frameworks.

The AER should work closely with the AEMC to reduce duplication

As the ENRR is expected to establish foundational rules for regulatory mechanisms, such as the Ring-Fencing and Shared Asset Guidelines, collaboration between the AER and AEMC will help to ensure that ENRR outcomes inform the AER's work. This alignment can minimise duplication, streamline processes, and reduce unnecessary regulatory burden.

In particular, the ENRR is reviewing the service classification framework to identify whether key reforms are required. A well-considered service classification framework is critical to properly categorising network services and underpins the effective use of the Ring-Fencing and Shared Asset Guidelines. These guidelines help manage risks such as cross-subsidisation and conflicts of interest while fostering transparency, fairness, and efficiency to support better outcomes for customers. Accordingly, it is important to first establish the service classification framework as a foundational element, ensuring that the Ring-Fencing Guidelines are subsequently developed to align with this structure. This approach will provide clarity and consistency across the regulatory framework and help achieve stronger results. We therefore strongly encourage the AER to work closely with the AEMC as decisions are finalised for the ENRR, so that those outcomes can inform its Review.

Greater consistency is required between the Distribution and Transmission Ring-fencing Guidelines

Consistent with NER clause 6.17.2 (c), we recommend the AER align ring-fencing obligations between DNSPs and Transmission Network Service Providers (**TNSPs**). Large sophisticated commercial and industrial customers, such as data centres, can negotiate connection contracts and, depending on their needs, can choose whether to connect to either a DNSP or TNSP. However, inconsistencies in ring-fencing obligations constrain DNSPs from effectively competing with TNSPs in practice. These inconsistencies include:

- Negotiated transmission services are not inside the transmission network ring-fencing guidelines, which means that a TNSP (unlike a DNSP providing an equivalent service) could potentially use information acquired or generated in the provision of non-ring-fenced non-contestable negotiated services to gain an unfair advantage in the provision of other contestable services (or in any tender process for other contestable services); and
- Even where ring-fencing controls do apply to TNSPs, these are less restrictive than the controls applied to DNSPs. For example, TNSPs are not required to use separate branding for any contestable services, which means that they can effectively offer a 'one-stop-shop' for contestable and non-contestable aspects of a large connection. Such offerings are highly desirable to prospective connection applicants, however, due to the stricter distribution ring-fencing rules, DNSPs are prevented from putting forward an equivalent service offering – with the perverse effect of *foreclosing* competition in the market for the supply of such services.

Left unaddressed, the above regulatory inconsistencies create an uneven playing field between DNSPs and TNSPs and reduce the field of competitive rivalry that would otherwise be available to customers. Our previous submission to the AER provides case studies of scenarios where NSW DNSPs have competed with TNSPs for connection services, and functional separation requirements on DNSPs.¹

To address these discrepancies and, in doing so, improve outcomes for customers, we consider that in circumstances where DNSPs would have the potential to compete with TNSPs for the provision of connection works to large, sophisticated commercial customers, the AER should consider reducing the regulatory constraints on DNSPs relating to non-discrimination and information security rules. This would promote competition between DNSPs and TNSPs for contestable projects, consistent with the intent of the ring-fencing objective, and drive better outcomes for electricity customers. In our view, levelling the playing field in this manner would result in a more appropriate outcome than, say, increasing the ring-fencing requirements applicable to TNSPs.

The Shared Asset Guideline is delivering on its intended objectives and should be maintained

We recognise that the Shared Asset Guideline provide an important regulatory framework to incentivise the efficient use of regulated infrastructure, unlocking additional value from network assets while delivering benefits to the broader customer base.

Since the introduction of the guidelines, we estimate that over \$87 million (\$FY25) of revenue has been shared with customers across the National Electricity Market. This demonstrates a positive outcome, helping to alleviate electricity cost pressures for consumers. We support the retention of the Shared Asset Guideline, including the materiality threshold and sharing ratio, as they are critical in achieving these outcomes.

As networks evolve to operate as distribution system operators in two-sided energy markets, there are significant opportunities to provide access to network assets in ways that enhance system flexibility and customer benefit. These include, but are not limited to:

- community battery capacity;
- network control assets (e.g., system support services); and
- kerbside infrastructure for electric vehicle (EV) charging.

Given this evolving context, the role of the Shared Asset Guideline will become even more critical. By providing appropriate incentives for businesses to maximise the utilisation of their assets, the guidelines will help ensure ongoing benefits for a wide range of customers. This aligns with the long-term interests of energy consumers and supports a more sustainable, efficient energy future.

The Review should be centred around the core objective of delivering improved customer outcomes

Consistent with our submission to the AEMC's ENRR (Package 1), we recommend that the AER's Review should be centred around the core objective of

"delivering improved customer outcomes"

¹ Ausgrid, Endeavour Energy and Essential Energy, [Submission to AER's Review of options to address gaps in transmission ring-fencing framework](#), June 2023.

Customer outcomes should be at the heart of all decision-making. This is consistent with the National Electricity Objective and should be prioritised to ensure that the regulatory framework is focused on customer-outcomes. We believe that this approach will promote customer value by putting customers at the heart of decision making.

Expressly articulating a core objective that is consistent with the National Electricity Objective will enable stakeholders to more clearly prioritise the key outcome sought in providing submissions and engaging on related matters, rather than having multiple (and potentially competing) objectives

This core objective should be supported by five guiding principles, as follows:

- **Adopt a customer-centric approach:** Considering the needs and perspectives of customers to ensure value-driven outcomes.
- **Flexible and adaptive regulation:** Decision making in a rapidly transitioning sector requires regulators to embrace anticipatory regulation that evolves to balance innovation with compliance, and foster growth and technological advancement.
- **Fostering market efficiency:** Achieving market efficiency as an objective, focusing on optimising resource allocation and creating value rather than pursuing competition as an end in and of itself.
- **Building investability to foster confidence and support growth:** Deliver regulatory certainty, financial stability and predictability of returns to promote efficient and timely investment in networks and contribute to achieving Australia's net zero targets.
- **Aligning with best-practice regulation:** Embracing regulatory approaches that align with the Commonwealth Government's [Regulatory Policy, Practice and Performance Framework](#).

Appendix A sets out in detail how we believe these guiding principles could be applied in the Review. We look forward to discussing our submission further with you and contributing to the Review. For any further enquiries, please contact [REDACTED], Principal Policy Advisor at [REDACTED].

Yours sincerely

[REDACTED]

Appendix A – Principles to guide the AER’s Review

Guiding Principle 1: Adopt a customer-centric approach

The ring-fencing guidelines should be considered from the perspective of electricity customers.

As electrification of the market continues, with customers adopting more consumer energy resources (**CER**) and Distribution Network Service Providers (**DNSPs**) move away from being traditional “poles and wires” to taking on a Distributed System Operator (**DSO**) role, there will necessarily be more complexity within a dynamic, two-sided ecosystem. Customers seeking services from the distribution network will interact with multiple specialised market participants, such as the network service provider, Accredited Service Providers (**ASPs**), energy retailers, third party intermediaries and more, to manage their energy production, storage and consumption. This complexity has the potential to create friction in customers’ electrification journey that may inhibit good customer outcomes.

Energy Consumer Australia’s June 2026 Consumer Energy Report Card found that 59% of customers prefer a passive relationship with the electricity system, over an active relationship, including having a good price, reliable electricity supply, and good customer service from the supplier.² This demonstrates that most customers prefer a simple service. At the same time, we believe that we should not undermine the portion (41%) of customers that prefer an active relationship. We believe that these findings demonstrate the diverse customer expectations of the energy sector and highlights the importance of providing a spectrum of services. Additionally, as other industry sectors evolve and offer more innovative service delivery, this will influence customers’ expectations of services from the electricity sector. For example, as DNSPs transition to a DSO role, customers may seek services from networks such as easier access to their data, peer-to-peer services, etc. In this evolving landscape, in updating the ring-fencing guidelines, the AER should ensure that operational boundaries and compliance obligations do not inadvertently impact customer service. This includes avoiding creating delays, confusion, or unnecessary barriers for customers seeking connections to critical infrastructure or new, innovative energy services.

Currently, DNSPs like Endeavour Energy are responsible for repairing network outages but are restricted from working on customers’ premises, requiring an ASP to complete such tasks. During periods of natural disasters and significant power outages, Endeavour Energy has engaged and paid for ASPs to perform contestable works on customer properties to restore connection. However, we propose that the ring-fencing framework should also include provisions enabling DNSPs to resolve urgent safety issues or restore power promptly when waiting for an ASP could result in risks to customer wellbeing, especially for vulnerable customers in exception circumstances such as natural disasters.

Guiding Principle 2: Flexible and adaptive regulation

The current Guidelines need to evolve to align with the rapid pace of technological advancement that offers multiple value streams and responds to transformative trends such as electrification. To enhance their effectiveness, the Guidelines must be adaptive, flexible, and adopt a forward-looking approach that proactively identifies and addresses emerging risks and opportunities.

As identified in the Call for Input report, ring-fencing waivers have been increasing over time which, in part, reflect the evolution of the sector and technology. We agree with this observation and add that some of the innovations and changes we anticipate in relation to the role of DNSPs to enable the energy transition to occur in a timely manner include:

- DNSPs taking on a more active role in the coordination and operation of CER to support power system stability as a DSO. This will enable more generation and storage within the distribution network, dynamic use of network assets and increasing market participation and value for CER. We are looking to enable competition amongst other market players to utilise our digital infrastructure and ensure CER provides optimal value to customers and the system.
- DNSPs partnering with third parties more regularly in integrating and operating community batteries and microgrids, as well as systems that support Virtual Power Plants and electrification. For example, we have partnered with AGL to explore non-network alternatives through our policy-led sandbox application, “Flex Together”, a customer-centred initiative to incentivise the

² Energy Consumer Australia, [The Consumer Energy Report Card](#), June 2026

deployment of CER coordinated and orchestrated by a retailer to support the Endeavour Energy network and avoid network augmentation costs.

To trial innovative technologies and services, it would be likely that DNSPs will rely more on both regulatory sandbox waivers and ring-fencing waivers. In particular, ring-fencing waivers are critical to trial emerging and potentially contestable services, especially those that operate at the intersection of network and market functions, to identify innovative solutions that will address emerging opportunities and risks in the long-term interests of customers. These tools should be leveraged to enable timely, proportionate, efficient and regulatory responses that may support further innovation in emerging opportunities and challenges in a timely fashion.

As innovations are rolled out at scale, we expect that more efficient regulatory controls will be required that promote certainty. For instance, community batteries are a particular asset type where we consider that there are opportunities for improvement in relation to the current regulatory approach. Ordinarily, DNSPs can share under-utilised assets with third parties (e.g., pole rental to telecommunication providers). In circumstances where these assets are new, costs are allocated between the regulated and unregulated uses; where these assets are existing, the Shared Asset Guideline provide for a sharing of a portion of the unregulated revenue subject to a materiality threshold.

However, a different approach has been adopted for batteries, such that DNSPs are restricted from sharing this particular asset type in the ring-fencing guideline. This means a waiver, subject to a 'streamline' or 'full' review process depending on the circumstances, is required in each instance that a DNSP owns a battery and wishes to share it with a third party. We understand that the rationale for this approach in relation to this specific asset class was so that the AER could address competition concerns and understand appropriate regulatory mechanisms to allocate battery costs between regulated and unregulated users.

Our practical experience, however, is that the application of this approach to this asset class creates investment uncertainty, delays or ability to work with third parties on community battery projects and, in turn, hinders the benefits of community batteries from flowing to NSW electricity customers. This approach also results in a somewhat adverse outcome such that the AER's service classification guidelines and decisions as part of regulatory determinations are *subordinate* to the ring-fencing guidelines, not vice-versa, as would be the usual application of these controls.

In this view, we recommend that the Review consider how the Ring-fencing and Shared Asset Guidelines, can be appropriately flexible to accommodate innovative technologies and services to enable innovation to be rolled out at scale and pace required to deliver a timely energy transition.

Guiding Principle 3: Promoting market efficiency

We recognise that one of the objectives of the current Ring-fencing Guidelines is to promote competition in the provision of electricity services and that by doing so will foster market efficiency. However, in some circumstances, a regulated monopoly may be the most efficient mechanism to establish a nascent market where coordination failures, network effects or scale barriers inhibit private investment. In these cases, DNSP participation may be appropriate on a ring-fenced and transitional basis, to promote the delivery of improved customer outcomes, and periodic review to determine whether sufficient competition has emerged to support re-classification of the service.

For example, there is a coordination failure in the delivery of Electric Vehicle Charging Infrastructure (EVCI), compounded by positive externalities. Each additional charger increases the value of owning an electric vehicle (EV), and each additional EV improves the commercial viability of charging infrastructure. However, individual investors are unable to capture the full value of these broader benefits. As a result, the private return on investment can be lower than the overall benefit delivered to the community, creating a risk that investment falls short of the level that would maximise overall consumer value. Left to itself, these dynamics can lead to an outcome where there are persistent low levels of EVCI deployment.

While competition is important, it should not be prioritised at the expense of long-term customer outcomes. In a context where technology is moving at a pace faster than regulation can accommodate, customers are at risk of being trapped in a cycle of underdevelopment and inefficient resource allocation, despite the potential for wider community and environmental benefits to arise. In such circumstances, the regulatory framework and tools available should be designed to prioritise the delivery of long-term customer outcomes.

Equally, application for ring-fencing waivers should be optimised where possible to enable effective and efficient delivery of services. For example, individual waivers or class waivers for specific new assets or technology such as the current scenario for community batteries. This is particularly important as

innovation rolls out at scale, then the administration of the approval process should not inhibit the timely delivery of solutions to meet growing demand and evolving customer expectations and needs.

Guiding Principle 4: Building investability to foster confidence and support growth

The long-term nature of the industry and step change in investment to meet government targets for net zero by 2050 necessitates a change in the regulatory environment to focus on long to deliver customer outcomes. The regulatory framework needs to support the investability of the electricity network sector to promote efficient, timely and sustainable investment in networks over the long-term.

Regulatory certainty, financial stability and predictability of returns are important factors to lower risk, support confidence and attract sufficient and sustainable funds to deliver timely and efficient investments to the network. This includes ensuring that the Rate of Return Instrument (**RORI**) is fit-for-purpose and the settings embedded in the instrument provides regulatory certainty to attract efficient and sustainable finance at a scale and pace to support the energy transition. The absence of these factors will undermine investability and may result in under-investment and impact customer outcomes.

The Shared Asset Guideline is a key regulatory tool that supports investability. By promoting efficient asset utilisation, the Shared Asset Guideline helps businesses maintain confidence in regulatory frameworks that encourage long-term investment. Since its introduction, we estimate that over \$84 million (\$FY24) in shared revenue has been returned to customers across the National Electricity Market. As networks transition to becoming DSOs in two-sided energy markets, there are growing opportunities to utilise network assets for broader system benefits. Retaining the current Shared Asset Guideline, including the materiality threshold and sharing ratio, is essential to ensuring long-term incentives for investment in asset utilisation, delivering cost savings and positive outcomes to the wider customer base.

Guiding Principle 5: Aligning with best-practice regulation

More broadly, the regulatory framework and tools should be effective and fit-for-purpose while minimising the potential costs and regulatory burden for all market participants. In the Review and rule changes, the AEMC should ensure that any changes should align with the Commonwealth Government's Regulatory Policy, Practice and Performance Framework (RPPPF). Some of the six principles are referenced above, with amendment to reflect the unique nature of the electricity distribution market and the NEO, which includes:

- targeted and risk-based;
- integrated in existing systems;
- user-centred;
- evidence-based and data-driven;
- reflective of the digital era; and
- continuous improved and outcomes-focused.

At its core, the RPPPF provides principles to drive fit-for-purpose regulation and regulatory systems that drive “...competition, productivity, and investment, and protects Australia and its people from harm now and into the future, creating certainty, building trust and facilitating growth”.³ As innovations are rolled out at scale, we expect that regulatory controls should be fit-for-purpose, including promoting certainty for market participants to efficiently invest to deliver positive customer outcomes.

³ Australian Government, Department of Finance, *Regulatory Policy, Practice & Performance Framework*, p 7.