6 August 2026

Ms [redacted]
Executive General Manager Consumers, Policy and Markets
Australian Energy Regulator
GPO Box 3131
Canberra ACT 2601

Email: [redacted]

Dear Ms Jolly,

Review of the Ring-fencing and Shared Asset Guidelines (31940806)

Energy Queensland Limited (Energy Queensland) welcomes the opportunity to provide comment to the Australian Energy Regulator (AER) in response to the *Review of the Ring-fencing Guideline (electricity distribution) and Shared Asset Guideline*.

This submission is provided by Energy Queensland on behalf of its related entities, distribution network service providers Energex Limited and Ergon Energy Corporation Limited, and the retailer Ergon Energy Queensland Pty Ltd.

Our enclosed response highlights opportunities to improve the efficiency, clarity and proportionality of the current framework, including more streamlined approaches to recurring ring-fencing waiver issues, greater certainty and consistency in waiver conditions, and targeted reforms to the treatment of batteries. The response also emphasises the need for a more measured and risk-based approach to ring-fencing waiver conditions, ensuring regulatory obligations are proportionate to the identified competition risks and do not impose unnecessary compliance burdens in circumstances where competition is limited or absent.

We also recommend the regulatory framework across the Ring-fencing and Shared Asset Guidelines should evolve to better accommodate assets that deliver multiple services and benefits over their operational lives, rather than apply differing regulatory treatments to each technology.

Furthermore, Energy Queensland is concerned that an AER review of the Ring-fencing and Shared Asset Guidelines would proceed ahead of broader policy decisions currently being considered through the Australian Energy Market Commission's Electricity Network Regulation Review Package 1. Amendments to the guidelines before these processes are concluded could result in duplication, regulatory uncertainty or the need for subsequent revisions. Accordingly, any changes should be informed by, and aligned with, the outcomes of these broader reforms to ensure a robust and sound regulatory framework.

Should the AER require additional information or wish to discuss any aspect of this submission, please contact me or [redacted] on [redacted].

Yours sincerely

[redacted]

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AER Review of Ring-fencing Guideline and Shared Asset Guidelines - Energy Queensland response

AER Question	Energy Queensland Response
1. Have we accurately described the key changes occurring in distribution networks and the broader energy system? Are there any important developments or trends we have not captured?	Energy Queensland offers no comments on changes occurring in distribution networks and the broader energy system. However, the review should be undertaken with careful regard to the broader policy reforms currently underway. Changes to the guidelines ahead of key decisions on service classification, ring-fencing and shared asset arrangements risk creating regulatory inefficiencies and may require further amendment as the outcomes of the ENRR and related consumer energy resources (CER) reforms are implemented.
2. Have we accurately reflected the concerns raised by stakeholders regarding the guideline? Are there additional issues that should be considered as part of this review?	We agree with the AER's observation that an increasing range of matters is being considered through the ring-fencing waiver framework. This reflects the growing complexity of the electricity sector, driven by emerging business models, market developments and the large-scale deployment of innovative technologies. *Treatment of batteries* About a third of all waiver applications for the 2022-2025 period relate to individual DNSP battery capacity sharing arrangements. We believe these could have been covered by a single class waiver, because DNSPs have been seeking essentially the same type of capacity sharing with their competitively selected retail partners. This would have avoided the AER needing to assess multiple largely equivalent applications on a case-by-case basis, which would have reduced administrative effort for both industry and the AER. Energy Networks Australia, in its August 2024 *The time is now* Report, specifically recommended a class waiver to support such battery capacity sharing arrangements.[1] The

[1] ENA, Leveraging the Distribution Grid in support of the Energy Transition, Action Theme C: Soak Up Surplus Solar, p. 16.

AER Question	Energy Queensland Response
	AER has also granted two class waivers in response to Australian Energy Market Operator and Commonwealth Government initiatives, with the latter covering capacity sharing for Commonwealth-funded DNSP batteries.[2] This could have served as a template for a class waiver covering DNSP batteries funded via other sources. Moving forward, the optimal approach may be for the AER to amend its current carve-out of DNSP energy storage devices from the normal shared-asset treatment. This carve-out, in the Ring-fencing Guideline's clause 3.1(d)(i), requires these batteries to be regulated through ring-fencing requirements, waivers and conditions. Amending this carve-out and shifting the regulatory treatment of these batteries to the Shared Asset Guideline would provide clarity on the long-term arrangements for battery capacity sharing and ensure alignment with the broader framework. There is precedent for this approach. Similar arrangements apply where a DNSP provides other services, such as generation, through regulated stand-alone power systems (SAPS) under clause 3.1(d) of the Ring-fencing Guideline and section 4 of the Shared Asset Guidelines. In our view, this transition makes sense, because DNSP batteries are fundamentally shared-use assets. However, unlike traditional shared assets, the future utilisation and value streams of batteries is highly uncertain. As a result, there may be merit in considering whether the shared asset framework's revenue-sharing provisions could be expanded alongside the conventional up-front cost-allocation. This would preserve the "allocate costs once" principle while providing a practical means of managing cross-subsidisation risks and sharing the benefits of future battery utilisation. This is also the case for the emergence of other multi-service assets. In our view, the regulatory framework should evolve to better accommodate assets that deliver multiple

[2] Batteries funded under the Commonwealth Government's Community Batteries for Household Solar Program - Ring-fencing class waiver - December 2022 \| Australian Energy Regulator (AER).

AER Question	Energy Queensland Response
	services and benefits over their operational lives, rather than apply differing regulatory treatments to each technology. Regarding the AER's observation that around one per cent of battery usage reported to date has been for DNSP network support services, we note that: • The batteries provide network support during critical periods of network constraint, peak demand or reliability events. Whilst these events occur infrequently, that does not diminish the value of the battery. Where a battery has deferred or avoided network augmentation, reduced network costs, or improved reliability outcomes, energy throughput is not necessarily an appropriate measure of its network value. • At other times, unused battery capacity is efficiently utilised by retail partners to provide services in competitive markets, rather than remaining underutilised. This is beneficial in terms of maximising the benefits the batteries can provide. • The batteries also deliver ongoing network benefits by assisting with voltage management, even while being utilised by retail partners, and this is not captured in the usage data. Improved voltage management can increase a network's capacity to accommodate CER.
3. Are there relevant experiences, case studies, examples or evidence that would help illustrate these issues or inform this review?	*<u>Ring-fencing waivers</u>* Given the more recent steady pipeline of ring-fencing waiver applications, there may be merit in introducing procedural provisions in the Ring-fencing Guideline around timeliness, materiality and evidence thresholds. Various potential amendments could include: • Introducing a streamlined application process for renewals of existing waivers with no change to underlying arrangements and establishing decision-making timeframes that could differ depending on whether the application is for a minor variation to a ring-fencing obligation or a more complex waiver arrangement. To illustrate, the 2025

AER Question	Energy Queensland Response
	renewal of Ergon Energy Network's expiring waiver to provide other services in the Isolated Systems, with no material changes to underlying arrangements, involved almost nine months from the application to the final decision. • Avoiding waiver conditions that duplicate existing obligations contained in national or jurisdictional legislation or regulations. For example, conditions in battery capacity sharing waivers require Ergon Energy Network and Energex to apply network tariffs in ways that are already required in the NER and their AER-approved Tariff Structure Statements. The Ergon Energy Network branding waiver also has a condition that the retailer Ergon Energy Queensland may only provide services under standard retail contracts, mirroring state-based restrictions.[3] • Requiring the decision on a waiver condition to explain the outcome being sought, such as the expected impact on a specific contestable electricity market. This would help confirm that application of the condition is proportionate to the risks it seeks to address and takes into account the specific regulatory framework and/or market in which an impacted DNSP and RESP operates. • Requiring a waiver condition to clearly articulate the specific products, services or activities not permitted under the waiver. Providing greater clarify would improve transparency and understanding for stakeholders. • Requiring a waiver condition to use terminology consistent with existing regulatory definitions. For example, where reporting on third party connections is required under battery capacity sharing waivers, terms for the stages of the connections process in the condition should align with the NER. This would minimise the risk of misinterpretation by stakeholders and simplify preparation of reporting based on existing NER-categorised data.

[3] Ergon Energy Queensland is the designated/default retailer for regional Queensland and is limited to offering standard retail contracts rather than competitive market contracts. This stems from a combination of Queensland electricity legislation, the National Energy Customer Framework as applied in Queensland, and the notified prices regime for regional Queensland.

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	• Specifying that the same type of waiver condition across multiple individual waivers should have consistent requirements. For example, applying the same usage and benefits reporting timeframes across all battery capacity sharing waivers would simplify DNSP reporting and improve comparisons.
4. Do you consider the scope of this review to be appropriate? Are there additional areas of focus that you should believe should be included?	The key question is whether there are meaningful amendments to be made to the for Ring-fencing and Shared Asset Guidelines before the outcomes of: • the Australian Energy Market Commission’s Electricity Network Regulation Review (ENRR) Package 1,[4] which will consider service classification, ring-fencing, shared assets and cost allocation; and • one of the National Consumer Energy Resources (CER) Roadmap's significant reforms: the formalisation of distribution system operation,[5] with policy workstreams in 2026 considering Distribution System Operator (DSO) roles, responsibilities, incentives and reporting requirements. In our view, there is a risk that amendments made to the guidelines now could duplicate, conflict with, or be superseded relatively quickly (from a regulatory perspective) by subsequent reforms arising from the ENRR Package 1 and National CER Roadmap DSO processes. We therefore suggest that this AER review be conducted once the outcomes of the ENRR Package 1 and relevant CER Roadmap policy workstreams are clearer. This would help ensure any guideline amendments are coherent and aligned with the broader reform agenda, noting the AEMC would typically establish timeframes for any consequential updates to AER guidelines following changes to the National Electricity Rules.

[4] Electricity Network Regulation Review – Package 1 | AEMC.
[5] Redefining roles and responsibilites for power system and market operations in a high CER future - final report.pdf, Recommendation 1.

AER Question	Energy Queensland Response
5. Do you have suggestions on ways that we can make it easier for stakeholders to effectively engage with the review process?	Energy Queensland offers no comments.
6. Do you have any other information to support the review?	Energy Queensland offers no comments.