SUBMISSION

EUAA
Energy Users Association of Australia

REVIEW OF THE RING-FENCING GUIDELINE (ELECTRICITY DISTRIBUTION) V4 AND SHARED ASSET GUIDELINE V2

6 AUGUST 2026

INTRODUCTION

The Energy Users' Association of Australia (EUAA) is the peak body representing Australian commercial and industrial energy users. Our members are the engine room of the Australian economy, producing many of the products that households and business use every day including bricks, glass, steel, aluminium, paper, food and beverages. Combined, our members employ over 1 million Australians, pay billions in energy bills every year and in many cases are exposed to the fluctuations and challenges of international trade.

EUAA members are focussed on making products that meet their own customers' requirements where energy is just one input to the process albeit a critical one. Their expectation is that the energy industry continues to provide energy services that are fit for purpose and consistent with the National Electricity Objectives (NEO) so that our members can continue to provide a quality product for their customers.

EUAA welcomes the opportunity to comment on the Australian Energy Regulator's (AER) Call for Input on the Ring-fencing Guideline and Shared Asset Guideline (the Consultation Paper).

Large energy users fund a substantial share of network costs and ultimately bear the risks associated with regulated investment, cost allocation decisions and any expansion of Distribution Network Service Provider (DNSP) activities into new areas. For this reason, it is essential that the regulatory framework continues to prioritise consumers by preventing unjustified cost-shifting, maintaining clear boundaries between regulated and contestable services, and supporting fair, competitive markets that deliver efficient outcomes.

As the energy system becomes more decentralised and new technologies emerge, DNSPs are exploring new roles and commercial opportunities. While innovation is welcome, it must not come at the expense of consumers who would be required to underwrite these activities through regulated charges. The EUAA considers that competitive markets, supported by strong transparency, clear service boundaries and robust ring-fencing, are the most effective vehicle for protecting consumers from unnecessary risk and ensuring that new services develop in ways that are efficient, equitable and consistent with the NEO. Any expansion of DNSP functions must therefore be justified by clear evidence of consumer benefit, not simply by technological change or commercial interest.

DISCUSSION

RING-FENCING

Ring-fencing plays a critical role in preventing cross-subsidisation and discrimination between regulated services and other DNSP activities, ensuring that consumers do not pay more than necessary for monopoly services and are not disadvantaged in adjacent competitive markets. DNSPs are increasingly exploring opportunities in competitive markets as the sector evolves, which is understandable given the pace of change. However, when regulated advantages are used to support commercial activities, consumers can end up carrying risks that would ordinarily sit with market participants. Assets placed in the Regulated Asset Base (RAB) guarantee a regulated return regardless of market performance, meaning consumers effectively underwrite ventures into areas where competitive providers already operate. This evolving landscape reinforces the importance of maintaining strong, principles-based ring-fencing settings that continue to protect consumers as the system decentralises.

The consultation paper suggests incremental service classification may be less effective for new services. EUAA does not fully agree. Even where services are novel, the potential for competition and the ability to attribute costs remain essential considerations. Newness alone does not justify DNSP involvement, particularly where competitive markets are already emerging for services such as Electric Vehicle (EV) charging, community batteries and flexibility services. These markets should be allowed to develop without distortion from monopoly providers. If DNSPs expand into these areas without clear evidence of market failure or strong safeguards, consumers may face higher costs and greater risk, while competition and innovation could be constrained. A measured, evidence-based approach to service classification will help ensure that consumers remain protected as the market evolves, as well as a robust understanding of any trade-offs that could provide either positive or negative outcomes for consumers.

We also note concerns raised in the Consultation Paper about DNSP-led trials. While trials can provide useful insights, they occur under conditions of unusually close regulatory supervision, bespoke waiver conditions and strict reporting requirements. These settings are materially different from the environment that would apply under any generalised right for DNSPs to participate in contestable markets. As we highlighted in our submission to the Australian Energy Market Commission's (AEMC) Electricity Network Regulation Review, evidence generated under trial conditions should not be relied upon to justify permanent changes to ring-fencing arrangements. Trial waivers are designed to be tightly controlled, time-limited and closely monitored precisely because they carry risks that would be unacceptable in a broader, less supervised context. For this reason, the outcomes observed in recent DNSP trials cannot be assumed to translate into long-term consumer benefit under an enduring arrangement, and should not be solely relied upon to support a shift in the underlying regulatory framework.

Finally, we support the Consumer Energy Resources (CER) Taskforce's articulation of future Distribution System Operator (DSO) functions, which focus on coordination, visibility, data and access – not market participation or asset ownership. These functions support consumer outcomes within the current regulatory framework.

SHARED ASSETS

EUAA supports the principle underpinning the Shared Asset Guideline: when DNSPs earn unregulated revenue from assets funded by regulated consumers, those consumers should receive a fair share of the benefit. This can occur through reduced tariffs or through reductions in regulated revenue, consistent with current practice. However, the guideline only captures revenue earned from regulated assets used for unregulated purposes. As DNSPs expand their commercial activities, this limited visibility becomes more significant. Without stronger transparency, consumers may unknowingly subsidise DNSP ventures or miss out on benefits they are entitled to. The experience to date with DNSP-led battery projects approved under waivers highlights why clearer reporting and visibility are important, particularly where new activities intersect with regulated frameworks and may involve assets funded by consumers.

The slow progress of these projects is concerning. Only 14 per cent of approved battery capacity had been energised as of 2024, and the consultation paper provides limited information on the status, costs or operational outcomes of these projects. The lack of timely delivery, limited operational data and unclear revenue reporting make it difficult to assess whether these projects are progressing as intended or whether they are delivering value commensurate with their objectives. This uncertainty is directly relevant to shared-asset arrangements: without clear reporting, it is not possible to determine whether consumers are receiving appropriate benefit where regulated assets or consumer-funded expenditure support these activities. The EUAA encourages the AER to require stronger compliance and reporting obligations for all waivers, including regular operational data, revenue reporting, competition assessments, economic evaluations and evidence that consumers remain the primary beneficiaries.

Further, our position on community batteries and EV charging infrastructure reflects a consistent, consumer-centred approach. Community batteries may provide genuine system-wide benefits such as resilience and reliability or defer augmentation to the existing network, and we are open to DNSP involvement where these benefits are clear, equitable and subject to strong safeguards. By contrast, EV charging infrastructure is a developing market, and DNSP ownership could risk crowding out private providers and raising equity concerns for consumers who can not use or benefit from these services. This distinction matters for shared-asset arrangements because it highlights where regulated assets may be used for broader purposes and where consumer benefit must be clearly demonstrated.

We also agree with stakeholders who argue that class waivers should be re-evaluated. Competition issues vary by service, market, location, and DNSP, and individual waivers may be more appropriate in areas where competition is genuinely absent, such as remote or rural regions. This approach ensures that consumers only bear additional risk where it is justified by clear system benefit and that shared-asset protections remain aligned with the underlying purpose of the framework.

CONCLUDING REMARKS

EUAA supports the AER's review and encourages a strong, principles-based approach that places consumer protection at the centre of both guidelines. The frameworks must ensure that consumers do not bear unnecessary risk, face increased costs or experience weakened competition as DNSPs seek to expand their roles. While there may be circumstances where DNSP involvement in emerging services can support network resilience or system strength, these should remain the exception rather than the norm. Any expansion of DNSP functions should be underpinned by demonstrated market failure and accompanied by robust safeguards against discrimination and cross-subsidisation.

We look forward to continued engagement with the AER throughout this process. Please do not hesitate to be in contact with EUAA Energy Regulation Manager Shelby Macfarlane-Hill, should you have any questions.

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Andrew Richards

Chief Executive Officer