



Review of the Ring-Fencing Guideline (Electricity Distribution) v4 and Shared Asset Guideline V2

Federal

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Master Electricians Australia (MEA) is a peak industry association representing electrical contractors across Australia, majority of which are small and medium sized businesses and has been supporting Australia's electrical businesses since 1937. We are recognised by industry, government and the community as a leading business partner, knowledge source and advocate. You can visit our website at www.masterelectricians.com.au

Our members play a critical role in delivering Australia's energy transition through the installation, integration and maintenance of Consumer Energy Resources (CER), Electric Vehicle Charging Infrastructure (EVCI), and other emerging energy saving solutions. These private contracting services are protected against DNSPs by AER's ring-fencing guidelines.

As Australia's energy system becomes increasingly decentralised, the interaction between regulated network functions and contestable markets is becoming more complex. New technologies and service models are creating opportunities for innovation and investment, while also raising important questions regarding regulation of roles relating to regulated network businesses within emerging markets.

MEA welcomes the AER's proposed focus on ensuring the guidelines remain fit-for-purpose as emerging technologies, evolving business models and increasing interaction between regulated and contestable services place new demands on the existing framework. From MEA's perspective, the review provides an important opportunity to ensure the guidelines continue to preserve competitive neutrality while supporting efficient investment and innovation throughout Australia's energy transition.

Overall Observations on Proposed Review Scope

The AER is conducting a timely review of whether the current rules framework remains fit-for-purpose as the energy system becomes increasingly decentralised and new markets emerge. It is important the review maintains focus on the fundamental

purpose of ring-fencing arrangements which is to prevent regulated monopoly advantages from being used to distort competitive private markets – especially small service providers.

In particular, the consultation has captured key concerns relating to the ring-fencing guidelines during the energy transition, including -

- DNSP role in emerging markets such as batteries, EV charging infrastructure and flexibility services;
- the increasing use of ring-fencing waivers to manage new business models;
- the interaction between regulated network functions and contestable markets; and
- the need for greater clarity regarding the use of regulated assets, information, capabilities and customer relationships.

These areas of focus appropriately reflect many of the practical issues affecting private industry stakeholders operating in contestable energy markets.

Role of DNSPs in Emerging Markets

MEA recognises that DNSPs have an important role in enabling Australia's energy transition, including responsibilities for maintaining safe and reliable networks, facilitating timely connections, planning network capacity, and supporting the efficient integration of CER and other emerging technologies. However, MEA considers it important that the role of DNSPs as regulated network operators remains clearly distinguished from participation in contestable markets. The Ring-fencing Guidelines play a critical role in maintaining this distinction by ensuring competitive neutrality, preventing cross-subsidisation, and supporting a level playing field for industry participants.

Emerging markets such as CER and EVCI present significant opportunities for an existing and abundant private sector. Electrical contractors and other private providers are central to delivering the scale of deployment required to support Australia's energy

transition. MEA considers that temporary challenges associated with market maturity, investment certainty or commercial incentives should not automatically be treated as evidence of market failure requiring DNSP participation.

Where DNSPs do participate in contestable markets under the AEMC's broader regulatory framework, the Ring-fencing Guideline should ensure regulated monopoly advantages cannot be used to distort competition or discourage private investment. Maintaining clear boundaries between regulated network functions and contestable activities will provide greater confidence for businesses investing in emerging energy markets.

Ring-Fencing Waivers and Market Development

While MEA recognises there may be circumstances where DNSP participation is justified (usually in remote locations where private service may not exist or be reasonably expected to develop) waivers should remain an exception rather than become an ongoing pathway for DNSPs to participate in competitive markets.

The review should consider whether waiver processes adequately assess:

- whether a genuine market failure exists;
- whether private market solutions could reasonably develop;
- whether DNSP participation provides measurable consumer benefits;
- whether waiver conditions support the development of competitive markets over time; and
- whether sufficient safeguards exist to prevent cross-subsidisation and discriminatory outcomes.

Where waivers are granted, MEA considers they should include clear conditions (such as time limitation and number of assets that can be trialed), transparency requirements, review mechanisms and sunset provisions.

Importantly, where DNSP participation is permitted under a waiver due to market failure, arrangements should support private market participation where possible. For

example, DNSPs should provide open and transparent procurement processes that allow private electrical contractors to deliver services where appropriate.

Market Development and Investment Incentives

MEA acknowledges emerging energy markets may face challenges during early stages of development. However, a lack of immediate commercial viability should not automatically be interpreted as evidence of market failure requiring regulated network participation.

Many of the barriers affecting the deployment of emerging energy services can often relate to investment certainty, commercial incentives and market development rather than a lack of private sector capability. This should be a key consideration when assessing a DNSP waiver application.

Policy responses should prioritise measures that encourage private investment and support competitive market development where these barriers exist. This may include targeted funding mechanisms, improved investment certainty, streamlined approval processes and reducing practical barriers to deployment – over and above granting waivers to DNSPs.

DNSP Cost Recovery Model

It is important to recognise that many households and businesses will continue to invest in their own private CER and electrification solutions, including rooftop solar, batteries and private EVCI. Funding models must therefore carefully consider how recovery of costs associated with contestable services can be recovered equitably, particularly where benefits are not evenly distributed and some consumers have already made significant private investments to meet their own energy needs.

Where public charging infrastructure is commercially viable, a user-pays approach should remain the preferred cost recovery model. This ensures costs are aligned with those who utilise the service, while maintaining appropriate incentives for continued private investment.

Broad socialisation of costs through network charges risks creating inequitable outcomes by requiring all electricity consumers to contribute towards infrastructure that may primarily benefit a subset of users, including consumers who may not utilise public charging infrastructure or who have already invested in private charging solutions. It may also reduce incentives for households and businesses to invest in their own CER and electrification solutions, ultimately increasing reliance on publicly funded infrastructure.

MEA considers that supporting private investment and encouraging a diverse range of charging and energy solutions will deliver more sustainable long-term outcomes. A regulatory framework that preserves appropriate cost signals and competitive neutrality will better support investment, innovation and the efficient development of emerging energy markets.

Transparency, Accountability and Compliance

MEA supports greater transparency regarding DNSP participation in emerging markets and the operation of ring-fencing arrangements.

The review should consider whether current reporting requirements provide sufficient visibility regarding:

- ring-fencing waiver applications and decisions;
- compliance with waiver conditions;
- the use of regulated assets, information and capabilities;
- arrangements involving affiliated entities; and
- whether anticipated consumer benefits and competition safeguards are being achieved; and
- complaints, compliance investigations and enforcement outcomes, where appropriate.

Improved transparency would provide greater confidence to private businesses investing in emerging energy markets and assist the AER in monitoring whether the objectives of the framework are being achieved.

Conclusion

MEA commends the AER's proposed scope for the review of the Ring-fencing Guideline (Electricity Distribution) v4 and considers it appropriately focuses on the key issues affecting the operation of the framework as Australia's energy system continues to evolve.

The regulatory challenge is to ensure DNSPs can effectively perform their evolving network functions while preserving competitive neutrality and supporting private sector investment.

Where genuine market failure exists, targeted DNSP involvement may be appropriate. However, regulatory settings should ensure temporary market development challenges do not result in the permanent expansion of regulated businesses into contestable markets.

A framework that enables DNSPs to act as network enablers, while allowing private providers to compete, innovate and invest, will best support consumers and the long-term success of Australia's energy transition.

MEA considers this review presents an important opportunity to strengthen the clarity, transparency and practical operation of the Ring-fencing Guideline, ensuring it continues to support efficient markets, consumer confidence and private investment as the energy sector evolves.

MEA appreciates the opportunity to provide feedback and welcomes continued engagement with the AER throughout this review process.