Application for Distribution Ring-Fencing waiver for the Williamsdale Battery Project

June 2026

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Executive Summary

An external third-party proponent is seeking to connect a 250MW battery energy storage system (BESS) to Evoenergy's 132kV dual-function assets near Williamsdale. The proponent has requested shared transmission services as a negotiated transmission service, which the National Electricity Rules (NER cl 6.24.2(c)) deem to be a negotiated distribution service when provided via dual-function assets. Consistent with AEMC guidance,[1] the proponent is seeking a zero charge for these services.

Under the *Ring-fencing Guideline (electricity distribution) version 4* (**the Guideline**), negotiated distribution services are treated as contestable electricity services, creating functional separation obligations. However, shared distribution services on Evoenergy's network are not practically contestable. Evoenergy is the sole provider, and the service cannot be operationally separated from other shared distribution services. Achieving functional separation would require duplicating core systems, staff, and infrastructure, resulting in inefficient costs with no customer benefit.

Granting a waiver would not cause cross-subsidisation or discrimination. The BESS would pay cost-reflective charges set under the AER's 2024-29 Negotiated Distribution Service Criteria and Evoenergy's negotiating framework approved by the AER as part of the 2024-29 determination, and similar customers would receive equivalent pricing. The service is not expected to materially increase Evoenergy's costs and may deliver network benefits such as peak-demand relief.

Compliance with Ring-fencing obligations is impracticable and would impose unnecessary costs while undermining broader customer interests and delaying potential network benefits from the BESS. The waiver relates only to the shared distribution service (provided by means of a dual function asset). Separately, the BESS will fund its connection assets and pay a Commissioning Charge and Operations and Maintenance charge to Evoenergy as a standard control service under Evoenergy's 2024-29 regulatory determination. These charges will be offset against standard control service operating expenses. The BESS is a new connection with no existing network supply.

Commissioning of the BESS is expected to commence from mid 2026 at which point, and subject to the waiver being approved, the BESS will be provided with shared transmission services by Evoenergy.

[1] AEMC, Integrating energy storage systems into the NEM, Fact sheet – Network use of system charges for storage, December 2021.

1. Ring-fencing obligations relevant to this application

This application seeks a waiver of the Ring-fencing obligations outlined in Table 1 below to allow Evoenergy to provide the BESS proponent with "contestable electricity services".

Table 1. Obligations for which a waiver is sought

Clause in guideline	Description of obligation(s)	Why is a waiver of the obligation(s) required?
Clause 4.2.1(a)	Subject to clause 4.2.1, in providing direct control services (DCS), a DNSP must use offices that are separate from any office from which a related electricity service provider provides contestable electricity services.	Evoenergy will need to use the same offices to provide its *direct control services* and *contestable electricity services*;
Clause 4.2.2(a)	Subject to this clause 4.2.2, a DNSP must ensure that its staff involved in the provision or marketing of direct control services are not also involved in the provision or marketing of contestable electricity services by a related electricity service provider.	Evoenergy will need to use the same staff to provide its *direct control services* and *contestable electricity services*;
Clause 4.2.3	DNSP is required to use an independent and separate branding for DCS from the branding used by a related electricity service provider for contestable electricity services. A DNSP must not advertise or promote its DCS and its contestable electricity services that are not DCS services. A DSNP must not advertise or promote contestable electricity services provided by a related electricity service provider other than the DNSP itself.	Evoenergy will need to use the same branding to provide its *direct control services* and *contestable electricity services*.

2. Proposed effective dates of waiver and the regulatory control period(s) to which the waiver would apply

To align with the initial 15-year agreement between the BESS and ACT Government for the BESS' participation in the NEM, we request the waiver spans 15 years, with reassessment and renewal (if required) to occur in 2041. The proposed waiver duration is also within the range of the minimum design life for the BESS' primary electrical equipment (25 years) and secondary electrical equipment (10 years).

3. Grounds for seeking wavier

3.1 Evoenergy's understanding of the application of functional separation obligations

Under the Guideline, the services in question are treated as "contestable electricity services" as they are "negotiated distribution services" and fall within the definition of "other distribution services" under the Guideline. Accordingly, the associated functional separation obligations under the Guideline apply. In practical terms, Evoenergy understands that these obligations would require:

- the business unit delivering "negotiated distribution service" to operate from office space that is physically separate from the part of Evoenergy providing direct control services (clause 4.2.1(a));
- staff involved in the marketing or provision of "contestable electricity services" to be separate from staff marketing or providing Evoenergy's direct control services (clause 4.2.2(a)); and
- the use of distinct and independent branding for direct control services and "contestable electricity services," including prohibitions on joint advertising and any promotion of "other electricity services" (clause 4.2.3(a)).

In effect, Evoenergy's delivery of "contestable electricity services" would need to be functionally separated from its direct control services, even though these are shared distribution services (provided by means of a dual function asset) that are, in practice, essentially identical to direct control services in terms of their function, contestability, and the resources required to deliver them.

3.2 A waiver is not inconsistent with the objectives of the Ring-Fencing Guideline

A key objective of the Guideline is to promote competition in the provision of electricity services by ensuring a DNSP does not confer a competitive advantage on a related electricity service provider (Guideline clause 1.1.1). The shared distribution service that Evoenergy proposes to provide to the Williamsdale BESS does not raise competition concerns of the type contemplated in the Guideline. Evoenergy is the sole provider of shared distribution services within the ACT electricity network, and no other party is able to provide these services to the BESS.

The Guideline's objectives also emphasise preventing cross-subsidisation and discrimination in the provision of services. Granting the requested waiver would not weaken these consumer protections. Cross-subsidisation and non-discrimination requirements already apply to negotiated distribution services under the NER, and these obligations would continue to apply if a waiver were granted.

In particular, NER clause 6.7.1 imposes clear principles for negotiated distribution services, including cost-reflective pricing and the requirement that users be charged the same price unless a difference in underlying costs justifies a variation. Similar obligations are reflected in the AER's Negotiated Distribution Service Criteria for the 2024-29 regulatory period, [2] and Evoenergy's approved negotiation framework for that period sets out transparent processes for negotiation, information provision, and review of charges.[3] Evoenergy's provision of a shared distribution service to the Williamsdale BESS as a negotiated distribution service is fully consistent with these established protections.

We also note that, unlike the distribution Ring-fencing guideline, the analogous transmission Ring-fencing guideline expressly excludes "negotiated transmission services" from the definition of "contestable electricity services".[4] This means a Transmission Network Service Provider (TNSP) would not require a Ring-fencing waiver to provide negotiated transmission services, including those that are functionally identical to the negotiated transmission services (deemed to be negotiated distribution services) that Evoenergy will provide to the Williamsdale BESS.

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[2] AER, Proposed negotiated distribution service criteria, Ausgrid, Endeavor Energy, Essential Energy, Evoenergy, TasNetworks and Power & water Corporation 2024-29, February 2024.

[3] Evoenergy, Regulatory proposal for the ACT electricity distribution network 2024-29, Appendix N: Proposed negotiating framework, January 2023.

[4] AER, Ring-fencing Guideline Electricity Transmission Version 5, February 2025, p 2.

Evoenergy considers that granting the waiver would promote the Guideline's competition objectives by ensuring equivalent treatment of shared network services, irrespective of whether those services are provided through a transmission network or by means of dual function assets.

3.3 "Contestable electricity service" will be provided on a cost-reflective and economically efficient basis

The BESS proponent has requested, and Evoenergy has agreed to, a zero charge for shared distribution services which will be provided subject to the granting of this Ring-fencing waiver. Evoenergy considers this arrangement to be both cost reflective and efficient for the following reasons:

- **Operational alignment with efficient utilisation:** The BESS will act as both dispatchable load and generation, charging during periods of low demand and discharging during peak demand periods, thereby supporting efficient network usage.
- **Lack of firm access rights:** The BESS will operate without firm access rights and will be subject to a runback scheme, allowing its output to be curtailed where necessary to maintain system security or manage constraints.
- **Minimal costs imposed on Evoenergy's network:** Given the expected generation and dispatch load of the BESS and the limitations governing its operation, it is expected that the BESS will impose minimal costs on the network. If actual outcomes differ from expectations, then Evoenergy can renegotiate the BESS charges to ensure they are cost reflective. .
- **Consistency with AEMC policy direction:** The AEMC's 2021 *Review of Network Use of System Charges for Storage* final rule permits storage customers to negotiate zero-charge outcomes where these reflect their operational characteristics.
- **Precedent across the NEM:** Comparable transmission-connected storage projects elsewhere in the NEM have negotiated zero network charges. Alignment with these outcomes promotes efficient and consistent locational signals for new BESS investments.

Evoenergy retains the ability to review the zero-charge position if circumstances change, for example, if the BESS's demand profile differs materially from expectations, thereby ensuring that no cross-subsidisation with other customers occurs.

As Transgrid, acting as the coordinating TNSP, ultimately determines final payment amounts for transmission connection points on Evoenergy's network, Evoenergy cannot quantify any foregone revenue. However, Transgrid has advised that incremental costs attributable to the BESS are expected to be minimal based on modelled load profile data. To the extent any minimal costs may exist, they are expected to be offset by the benefits of the BESS to the network. Evoenergy also considers that the administrative burden of establishing and applying a non-zero charge would likely exceed any minimal network costs, if they do exist, associated with the BESS.

3.4 Consumer benefits and Evoenergy's costs associated with complying with the functional separation obligations if the waiver is not approved

There are no consumer benefits, or likely benefits, from Evoenergy being required to comply with the functional separation requirements in the Guideline for the provision of "contestable electricity services" to the BESS. As explained above, the proposed service does not give rise to any competition issues. Further, as explained in this application, there is no cross subsidisation or discrimination in the provision of these services.

In contrast, if the waiver is not approved, compliance with the functional separation obligations would not be practically achievable and, even if it could be achieved, would impose significant and disproportionate costs on Evoenergy.

The service to be provided to the BESS is a shared distribution service that is, functionally, the conveyance of electricity through Evoenergy's network. This cannot be separated from the same service provided to other customers on the network. Achieving full separation would require establishing distinct premises, systems, branding and staff teams for activities that are currently integrated for efficiency and safety. This duplication of core functions is likely to result in multi-million-dollar annual costs, ultimately borne by consumers without delivering any material competitive benefit.

Beyond cost, strict separation is operationally impractical and may compromise network safety and reliability. Evoenergy's electricity distribution operations rely on unified systems, coordinated work processes and real-time information sharing across a single interconnected network. Creating artificial organisational "silos" to manage different parts of the same network would:

- fragment communication and decision-making
- reduce workforce flexibility and emergency response capability
- increase the risk of operational error
- hinder the safe and efficient conveyance of electricity

For a network of Evoenergy's scale, duplicating operational and support functions is neither feasible nor efficient. Maintaining separate offices, teams and systems would introduce unnecessary complexity, elevate safety risk and significantly increase costs for no clear consumer benefit.

Accordingly, strict compliance with functional separation is not practicable, proportionate or in the long-term interests of customers, and a waiver represents the most efficient and low-risk approach.

3.5 No risk of discrimination

The BESS proponent is neither an affiliated nor a related entity of Evoenergy. The ACT Government is also not a party to Evoenergy's connection or shared distribution service arrangements. While the ACT Government is contributing funding under the "Big Canberra Battery" initiative, it is not the customer under Evoenergy's arrangements.

The BESS project is not part of a Renewable Energy Zone (REZ) development. Evoenergy will not participate in any contestable activities associated with the BESS asset as part of the negotiated services.

In some circumstances where a DNSP or its affiliate provides contestable services, there is potential for the DNSP to favour its affiliate through discriminatory access to network services or customer information. This risk does not arise in relation to the BESS' negotiated distribution services. Although these services are classified as "contestable electricity services" under the Guideline, they are in substance non-contestable. They will be provided in the same manner as Evoenergy's existing shared distribution services, and they will remain subject to AER regulation and the pricing requirements for negotiated distribution services.

Given the absence of genuine contestability for the shared distribution services to be provided to the BESS, granting the waiver does not create any risk of discriminatory access to Evoenergy's distribution network through shared staff or office arrangements.

Similarly, the Guideline's branding requirements are not appropriate in this context. These rules are intended to address risks associated with marketing contestable services to consumers, where branding or cross-promotion could influence customer choice. As BESS shared distribution services are not genuinely contestable services being marketed to consumers, this rationale does not apply.

3.6 No risk of cross subsidisation

As noted above, the provision of the BESS negotiated distribution services is, in substance, a non-contestable service. This means the typical risk of cross-subsidisation between monopoly and contestable services does not arise, for three key reasons:

1. **No incentive to cross-subsidise:** As there is no genuine contestability for BESS distribution services, and Evoenergy will not earn any revenue or incur any material costs from providing the "contestable electricity service", Evoenergy has no incentive to subsidise their provision using revenues from its regulated services.
2. **No ability to cross-subsidise:** As a regulated network operator, Evoenergy must comply with AER revenue determinations and its AER-approved Cost Allocation Methodology (CAM) and the regulatory accounts are subject to annual independent audit assurance, which prevents any inappropriate allocation of costs between services.
3. **A zero charge reflects the minimal cost of providing the BESS with shared distribution services, as well as the broader network benefits:** The BESS's intended operating profile, importing energy during off-peak periods and exporting during peak period, together with agreed operational limitations, means it is anticipated to have little to no impact on Evoenergy's network costs or on upstream transmission charges from Transgrid.

In contrast, the BESS is expected to provide several benefits:

- Reduce overall peak demand on the network (and therefore reduce power drawn from Transgrid) by discharging during periods that align with Evoenergy's peak demand.
- Governed by the runback scheme, ensuring that battery operations do not overload existing Evoenergy network assets.
- Defer (or potentially eliminate) the need to install additional reactive power equipment at the Williamsdale Bulk Supply Point.

3.7 Granting the waiver would promote the National Electricity Objective and benefit the long-term interests of consumers

Evoenergy's proposed waiver would facilitate the more efficient provision of shared transmission services to the BESS in the long-term interests of consumers by removing the need for duplicate and unwarranted administrative and operational costs. In addition, the waiver would give rise to a number of other specific benefits in the long-term interests of consumers, including:

a) Supporting the efficient, safe and reliable provision of network services

The ACT electricity distribution network operates as a shared service that relies on common infrastructure, systems, and processes connecting the BESS to the ACT through the Evoenergy network. Evoenergy is the only provider of distribution network services in the ACT that can enable the BESS to connect and import/export energy into the ACT electricity system.

Allowing Evoenergy to provide this service ensures the BESS operates within established safety, protection and power-quality frameworks, reducing operational risk and maintaining a safe and high-quality electricity supply. As Evoenergy is responsible for managing real-time and whole of network performance, its involvement is also necessary to maintain reliability and security of supply when integrating new storage assets.

Granting the waiver would recognise that the shared distribution services to the BESS imposes minimal costs to the network and is offset by the broader benefits in managing network utilisation.

This promotes efficient investment decisions for the BESS operator and allows ACT consumers to benefit from the BESS' participation on the network.

b) Maintaining a reliable and secure supply of electricity from renewable sources

Efficient integration of the BESS is necessary to maintain the reliability, safety and security of both the ACT distribution network and the broader NEM. Storage assets provide system-wide benefits—such as frequency support, contingency response, and firming of variable renewable generation—that contribute directly to NEM reliability and security.

Allowing Evoenergy to deliver this service under a ring-fencing waiver ensures the BESS is connected and operated through Evoenergy's established protection, control, and system-security frameworks. This is essential for maintaining power-quality standards, managing local and system-wide voltage and frequency conditions, and ensuring safe interaction between the BESS and the national system.

Coordinated integration through Evoenergy therefore supports both local network stability and NEM-wide operational security, enabling the BESS to provide reliable and safe support services as the ACT network undergoes electrification.

c) Supporting the achievement of emissions reductions targets set by ACT government

The ACT Government has set a long-term goal of achieving net zero emissions by 2045, supported by a target of 100% renewable electricity, which has been achieved since 2020. Significant progress has already been made, with emissions reduced to 47% below 1990 levels, while future reductions will focus on harder-to-abate sectors such as transport, building heating, and waste. Efficient integration of the BESS will support these targets by enabling greater uptake of renewable generation, providing firming capacity, and supporting electrification across transport, heating and government operations.

The ACT Government describes a range of community benefits from the BESS. These include, among other things, that the BESS will help store renewable energy for use during peak times, reduce reliance on fossil fuels, help Canberra become a net-zero emissions city, and increase local employment in the renewable energy sector.[5]

Allowing Evoenergy to provide this service ensures the BESS can be connected and operated in a timely, efficient and coordinated manner, avoiding delays or cost increases. The BESS will contribute to broader NEM decarbonisation efforts by supporting system stability as renewable penetration increases, consistent with emissions-reduction objectives across participating jurisdictions.

4. Impact if AER were to refuse the waiver application

If the waiver were refused, Evoenergy would be unable to provide a negotiated distribution service to the BESS because Evoenergy could not comply with the functional separation requirements under the Guideline. Compliance with these requirements are cost prohibitive, for the reasons described in the sections above. In turn, the BESS would not receive a cost reflective price signal for shared distribution services that accounts for the BESS' minimal expects costs and its broader benefits to the network. Failure to grant the waiver may result in a non-cost reflective price signal that distort the BESS' investment and operational decisions and undermines the benefits to the NEM.

[redacted]

5 https://www.act.gov.au/builtforcbr/browse-all-projects/climate-action-energy-and-environment/Big-Canberra-Battery-Williamsdale-BESS

[redacted] This would be to the detriment of the BESS operator and Evoenergy's other consumers who stand to benefit from the BESS' participation on the network.

If the project is unable to proceed, this would materially affect the progress toward ACT and National net zero objectives, as the BESS is designed to increase renewable hosting capacity, support system stability and provide dispatchable capacity during peak periods. Refusing the waiver would therefore delay the delivery of reliability, security and decarbonisation benefits that would otherwise flow to consumers.

Importantly, consumers would not experience any offsetting benefit if the BESS were unable to proceed. The waiver simply enables Evoenergy to perform its regulated role in providing a shared distribution service to the BESS at a cost-reflective price; it does not confer any competitive advantage or expose consumers to additional cost or risk. A refusal could instead result in the loss or delay of a project that is expected to provide system-wide benefits without adversely affecting customers.

If the AER grants this waiver, this will enable Evoenergy to provide the shared distribution services necessary for the Williamsdale BESS to operate safely, efficiently and in the long-term interest of consumers.

These services are inherently non-contestable, pose no risk of discrimination or cross-subsidisation, and cannot be delivered through functionally separated arrangements without imposing prohibitive duplicated costs to consumers. Allowing the waiver ensures the BESS can proceed, supporting network reliability, security and the ACT's net zero objectives.