SA Power Networks

6 August 2026

Ms Laura Considine
Director, Ring-fencing, New Markets and Innovation
Australian Energy Regulator

Lodged via email: [redacted]

Dear Ms Considine,

Review of the Ring-fencing guideline (electricity distribution) and Shared Asset Guideline

SA Power Networks welcomes the opportunity to provide input into the Australian Energy Regulator's (AER's) review of its Ring-fencing Guideline (electricity distribution) v4 and the Shared Asset Guideline v2.

SA Power Networks' preference is for the AER to defer its substantive review and amendment of the guidelines until the Australian Energy Market Commission (AEMC) has completed Package 1 of its Electricity Network Regulation Review (ENRR), or at a minimum has provided a clear indication of its intended policy direction. Proceeding with substantive guideline review before these outcomes are known risks duplication and rework, particularly where ENRR outcomes change the services Distribution Network Service Providers (DNSPs) may provide.

We consider the existing ring-fencing and shared asset frameworks remain largely fit for purpose. Together, they provide important protections against cross-subsidisation and discrimination, while enabling DNSPs to participate in contestable markets subject to appropriate safeguards and ensuring consumers receive an appropriate benefit where these services are delivered using regulated assets.

Any review completed should distinguish between concerns arising from compliance, implementation or interpretation of existing obligations, and genuine limitations in the underlying framework. This approach will help ensure that any amendments are evidence-based, proportionate to the identified harm, and directed to the long-term interests of consumers under the National Electricity Objective.

Should you require further information or wish to discuss our submission in more detail, please do not hesitate to contact Debbie Voltz at [redacted].

Yours sincerely,

[redacted]

Richard Sibly
Head of Regulation

Review of the Ring-fencing guideline (electricity distribution) and Shared Asset Guideline

SA Power Networks supports regulatory arrangements that promote efficient investment, operation and use of electricity services in the long-term interests of consumers.

Distribution networks are adapting to increasing consumer energy resources, new technologies and evolving service models. Regulatory arrangements must therefore remain sufficiently clear and adaptable to manage risks arising from the interaction of regulated network activities and contestable markets. At the same time, amendments should be evidence-based, targeted to clearly identified issues and proportionate to the consumer harm being addressed.

Timing and coordination with the Electricity Network Regulation Review

SA Power Networks does not support progressing substantive amendments to the Ring-fencing or Shared Asset Guidelines ahead of the Australian Energy Market Commission's (AEMC's) Electricity Network Regulation Review (ENRR) Package 1 outcomes.

The ENRR is considering matters directly relevant to this review, including service classification, ring-fencing, multi-use assets, cost allocation and shared asset arrangements. It will also consider, at a principles level, the Nexa Advisory and Energy Networks Australia rule-change proposals.

These matters go to the fundamental boundary between regulated and contestable service provision. Questions about whether Distribution Network Service Providers (DNSPs) should be permitted to provide particular services, use regulated assets or capabilities in emerging markets, or recover costs through regulated revenues are principally service-classification matters. They should be addressed through the ENRR and, where appropriate, National Electricity Rules amendments, not determined indirectly through more restrictive ring-fencing or waiver arrangements.

Proceeding with substantive guideline reform before these matters are resolved risks duplication and may result in guidelines needing to be revisited shortly after amendment.

Regulatory change should follow an evidence-based assessment

Stakeholder concerns are an important input to the review and should be carefully considered. Before proposing any changes, the AER should assess the nature, evidentiary basis and materiality of those concerns, including whether they indicate a framework issue or are more appropriately addressed through compliance, enforcement or service-classification processes.

Any proposed amendment should be supported by evidence that it:

- addresses a systemic issue rather than isolated instances;
- responds to actual or reasonably foreseeable consumer harm;
- is likely to address the identified harm effectively; and
- delivers consumer benefits that outweigh the additional administrative, compliance and implementation costs.

This will help ensure regulatory changes are targeted, proportionate and directed to demonstrable consumer outcomes under the National Electricity Objective. It will also reduce the risk of unintended consequences, including unnecessary complexity that may constrain efficient innovation during the energy transition.

The current ring-fencing and waiver framework is broadly working as intended

SA Power Networks considers the existing ring-fencing framework remains broadly fit for purpose. It protects against cross-subsidisation, discrimination and inappropriate use of regulated monopoly advantages, while allowing DNSPs to participate in emerging and contestable markets subject to appropriate safeguards.

The current framework appropriately distinguishes between:

- whether a DNSP may provide a service, which is principally a service-classification question; and
- how a DNSP must separate that service from its regulated distribution activities, which is the role of ring-fencing.

This distinction is particularly important in emerging markets. A service being contestable should not, of itself, prevent DNSP participation, particularly where the DNSP is well placed to deliver or support the service at the least whole-of-system cost and in the long-term interests of customers. The framework should enable this outcome while ensuring that DNSP participation does not distort competition, confer an inappropriate advantage on an affiliate, or result in regulated customers funding unregulated activities. This reflects the need to balance potential competition risks with the efficient use of existing network capability, systems and expertise.

Waivers should remain a temporary mechanism to support trials and build an evidence base. If a service is proposed to continue on an enduring basis, its appropriate regulatory treatment should be considered through service classification at the next regulatory period, or through rule changes where necessary.

Shared assets

SA Power Networks supports the objective of the Shared Asset Guideline, ensuring that consumers receive an appropriate benefit where regulated assets are also used to earn unregulated revenue.

As technologies and asset uses evolve, there is value in clarifying the guideline's application to multi-use assets and assets with dynamic or evolving uses. However, any amendments should be targeted and should not unnecessarily constrain the efficient use of network-funded assets where this can create additional value for customers.

It is also important to recognise the customer benefits already delivered under existing shared asset arrangements. Shared use of regulated assets can improve asset utilisation, create additional revenue streams and support more efficient use of network infrastructure. The framework should preserve incentives for networks to identify and pursue asset-sharing opportunities, while ensuring customers receive an appropriate share of the benefit.

The AER should assess proposed changes to materiality thresholds, sharing ratios and reporting requirements against both their expected customer benefits and their administrative costs. This is particularly important where revenues are uncertain, variable or emerge over time, as overly complex requirements may discourage efficient asset use and innovation.