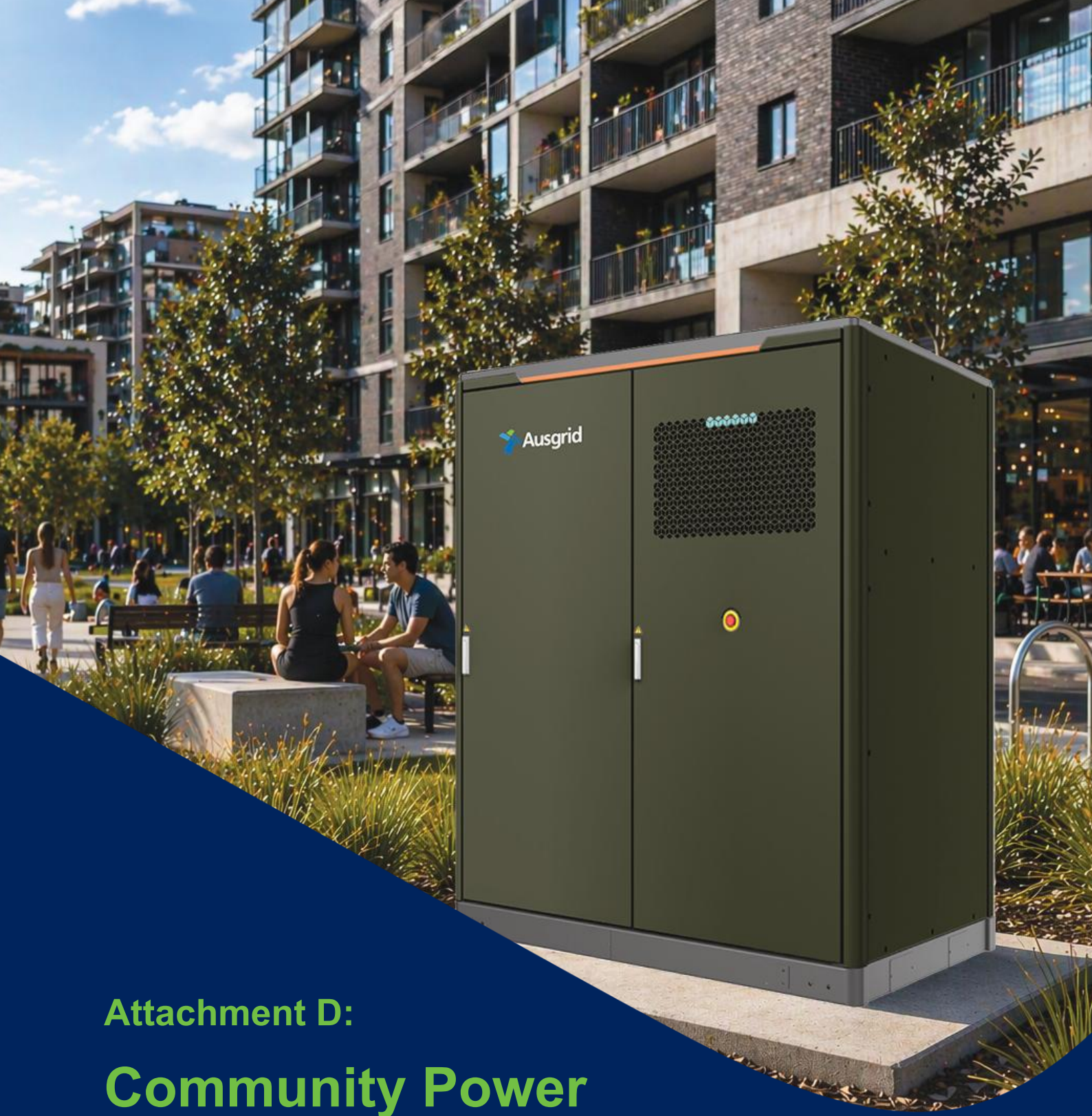


Attachment D:

Community Power Networks

Framework and approach for the 2029-34 period

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Contents

1 Overview 3
2 The Proven Trial factor 5
2.1 The Proven Trial factor in the formulae 5
2.2 The annual process 5
2.3 Later year adjustment when BS_t applies 6
2.4 Trigger conditions and success metrics 6
3 Funding arrangements and true-ups 8
3.1 Funding by phase 8
3.2 The pilot, FY27 to FY29 8
3.3 Completing the pilot, FY30 to September 2031 8
3.4 The Proven Trial factor period, from FY33 8
3.5 BAU, from 2034-39 9
3.6 Why funding moves from ARENA to RAB funding 9
4 Regulatory checklist 10
Appendix A: Summary of F&A key terms and decisions 12

1 Overview

'Local Energy Precincts' is an umbrella term for local energy models. Our Community Power Network is one of them. Our Framework & Approach (**F&A**) submission covers them in several places: service classification (Attachment A), the control mechanism (Attachment B) and incentive schemes (Attachment C). This attachment shows how those pieces fit together for Community Power Networks, and when each step happens: from the pilot's start in FY27, through our proposed true-ups, to business-as-usual funding from 2034-39 if the pilot succeeds. It applies only to Community Power Networks, not to other Local Energy Precinct innovations.

Local Energy Precincts build on our Community Power Network pilot, which operates under a trial waiver from the Australian Energy Regulator (**AER**). We propose that the F&A classify Local Energy Precincts as standard control services in two phases. The pilot phase allows the pilot at Charmhaven and Mascot-Botany to run to completion. The business-as-usual (**BAU**) phase extends the Community Power Network model to new locations, but only once the pilot meets agreed success metrics. The pilot started in September 2026 and runs for up to five years, to September 2031, with a possible one-year extension to September 2032.

We propose adding a Proven Trial factor to the revenue cap formulae (Attachment B, section 3.5 and Appendix A). It would let us recover the cost of expanding the Community Power Network model, but only if the AER confirms that defined conditions are met. Expansion capex would enter the allowance for the capital expenditure sharing scheme (**CESS**) only from that point. We have designed this solution around the control mechanism, rather than a contingent project, because the control mechanism allows market revenue to be trued up every year. Subject to the pilot being proven, we can apply for the Proven Trial factor, and from then on the market revenue the expansion assets earn is returned to customers through each annual pricing proposal. A contingent project has no means of doing this.

The success metrics for the Community Power Network pilot are drawn from the specific reporting requirements in the AER's trial waiver decision (section 2.4). If the pilot meets these metrics, the Proven Trial factor refines the funding approach from the trial phase to BAU. During the pilot, the Community Power Network is funded by ARENA and revenue from energy trading activities. Once the AER confirms that the success metrics are met, approved expansion assets would be funded in full through the Regulatory Asset Base (**RAB**) from FY33. This does not mean customers would bear the full cost. We propose a benefit sharing mechanism that returns all market revenue from the expansion assets to customers, so their net cost is less than full RAB funding (sections 3.4 to 3.6).

Table 1.1 sets out the decisions we ask the AER to make, and when. The F&A will shape how we prepare our regulatory proposal. This is especially important for our Community Power Network concept, which is the first trial of its kind and has the potential to expand.

Table 1.1: What we ask the AER to decide, and when

Decision	Timing	What we ask the AER to decide
F&A	2027	Classify the pilot and BAU phases of Local Energy Precincts as standard control services. Include the Proven Trial factor in the revenue cap formulae. Indicate that it is open to the CESS treatment of expansion capex set out in Appendix A.
Distribution determination	April 2029	Confirm the success metrics and thresholds (section 2.4) and the Proven Trial factor parameters (chapter 2). Include an allowance to complete the pilot (section 3.3).
During 2029-34	Application by October 2031	Decide whether the trigger conditions are met, and the approved expansion capex (section 2.2).
2034-39 determination	Before 1 July 2034	Roll the expansion assets approved during 2029-34 into the RAB, and continue benefit sharing (section 3.5).

Table 1.2 on the next page shows when each part of the proposal happens across the three regulatory periods. Light shaded cells show when each activity occurs. Dark shaded cells show the AER decisions in

Table 1.2. These are the 2029-34 determination in April 2029, the Proven Trial factor decision by March 2032 following our October 2031 application, and the 2034-39 determination in April 2034.

Table 1.2: Community Power Network regulatory timeline, FY27 to FY36

Activity	2024-29					2029-34			2034-39	
	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY35	FY36
Pilot operation										
Trial period (5 years)	**September 2026 to no later than September 2031**									
Funding										
ARENA funding and trading revenue	**ARENA and trading revenue**									
2029-34 allowance to complete the pilot				**Pilot phase and DSO costs**						
RAB funding (if success metrics met)							**RAB funding with an AER approved benefit sharing mechanism**			
AER reporting milestones										
Baseline and quarterly reports	**Quarterly to September 2028**									
Spatial Energy Plan	**Published every six months**									
Independent research reports		**By end 2027**				**By Sep 2031**				
Dividend finalised and first paid			**By Mar 2029**							
AER 5-year determinations										
AER decision on 2029-34 regulatory period			**Apr 2029**							
AER decision on 2034-39 regulatory period								**Apr 2034**		
Proven Trial factor										
Proven Trial factor at zero				**Zero until conditions confirmed**						
AER decision on Proven Trial factor application						**Apply by Oct 2031, AER decides by Mar 2032**				
Proven Trial factor applies							**Proven Trial factor applies**			
BAU funding										
Further expansion – beyond the Proven Trial factor in 2029-34 period									**Next regulatory period**	

Note: Financial years end on 30 June e.g. FY27 ends on 30 June 2027.

The F&A is the right process for the 2029-24 reset in which to set a BAU pathway for Community Power Networks. Its classification and control mechanism bind the distribution determination, but only limited evidence on whether the pilot succeeds will be available when that determination is made. Without a pathway, a successful pilot could not expand as a regulated service until July 2034 at the earliest. With one, customers are protected either way. If the conditions are not met, customers fund no expansion. If they are met, expansion proceeds during 2029-34 and Ausgrid earns only a regulated return.

2 The Proven Trial factor

2.1 The Proven Trial factor in the formulae

Attachment B supports the AER's April 2026 Victorian formulae as the default for standard control services in 2029-34.[1] Under those formulae, total annual revenue (**TAR**) is the sum of the adjusted annual smoothed revenue requirement (**AAR**) and the incentive (**I**), annual adjustment (**B**) and pass through (**C**) factors.[2] We propose adding the Proven Trial factor (**PT**):

$$TAR_t = AAR_t + I_t + B_t + C_t + PT_t$$

PT_t is zero unless the AER confirms that the conditions in section 2.4 are met. From the following 1 July, it recovers the revenue requirement for the approved expansion assets, net of the benefit sharing amount:

$$PT_t = CPN_t - BS_t$$

where:

CPN_t is the annual revenue requirement for the approved expansion assets in year t (return on capital, regulatory depreciation, operating expenditure and corporate income tax), calculated using the post-tax revenue model (PTRM) and the parameters approved in the distribution determination, and not included in the annual revenue requirement (AR_t); and

BS_t is the wholesale market and other revenue earned from the expansion assets in year t-2, adjusted for the time value of money.

A separate factor keeps Community Power Network revenues visible and distinct from the true-ups that the B factor already carries. It is also distinct from our recommendation in Attachment B that the A factor extend to revenue adjustments that a trial rule or waiver requires,[3] which would cover any adjustments the Community Power Network trial waiver requires while the pilot operates. If the AER would prefer to give effect to the Proven Trial factor through the A factor, we would support that approach, provided the F&A identifies Community Power Network expansion as an adjustment the A factor covers.

2.2 The annual process

Our process for the Proven Trial factor is based on the metering cost pass through process the AER set in its April 2026 Victorian decisions. Like that process, it runs through the annual pricing cycle.[4] It uses existing processes and does not require the distribution determination to be reopened. Table 2.1 sets out the annual timetable, where "t" is the regulatory year in which PT_t first applies. Under our current plans, the end-of-trial report is delivered in September 2031 and we lodge our application by 31 October 2031, having prepared it in parallel with the report. Because an application can be lodged by 31 October in any regulatory year, we could apply earlier if the AER agrees that the evidence available is sufficient. PT_t then applies from 1 July 2032 for FY33 and FY34.[5]

Table 2.1: Annual Proven Trial factor timetable

When	Step	Who
By 31 October (year t-1)	Ausgrid lodges its application. Base case: by 31 October 2031, or earlier if the AER agrees the evidence is sufficient	Ausgrid
November to January	AER review and stakeholder comment.	AER and stakeholders

1 Attachment B, section 3.1.

2 AER, Victorian Final Decision, Attachment 12, Control mechanisms, April 2026, Figure 12-1, pp. 4-6.

3 Attachment B, section 3.4.

4 AER, Victorian Final Decision, Attachment 12, Control mechanisms, April 2026, pp. 16-18.

5 AER, Victorian Final Decision, Attachment 12, Control mechanisms, April 2026, p. 34.

When	Step	Who
February to March	Pre-lodgement engagement, ending with the AER confirming in writing whether the conditions are met and the approved expansion capex.	AER and Ausgrid
By 31 March	The annual pricing proposal includes PT_t.	Ausgrid
Before 1 July	The AER approves the pricing proposal.	AER
1 July (year t)	PT_t applies. Base case: from 1 July 2032 (FY33), or earlier if we apply earlier	Ausgrid

2.3 Later year adjustment when BS_t applies

BS_t is zero in the first two years that PT_t applies, because it is based on revenue earned two years earlier, so that it can be set using audited actual revenue. In the base case these are FY33 and FY34, so BS_t first applies from 1 July 2034 (FY35). BS_t therefore continues into 2034-39 to return market revenue to customers, even though CPN_t falls away once the expansion assets enter the RAB (section 3.5).

Each year, PT_t is updated through the annual pricing proposal, with BS_t based on audited revenue for year t-2. Each update follows the same annual timetable and involves three steps:

1. **Recalculation:** we recalculate the revenue requirement for the approved expansion assets using the PTRM, the roll forward model and the parameters set in the distribution determination.
2. **Benefit sharing adjustment:** we set the benefit sharing amount equal to the audited wholesale market and other revenue the expansion assets earned two years earlier, adjusted for the time value of money. Because of this two-year lag, the benefit sharing amount is zero in the first two years after the assets are commissioned.
3. **True-up:** any difference between the revenue allowed and the revenue recovered in a year is trued up through the unders and overs account, in the same way as other revenue. The AER can therefore check each update against audited figures before it approves the pricing proposal. Any expansion beyond the capex the AER has already approved needs a new application by 31 October, following the same timetable.

The AER's treatment of regulated stand-alone power systems (**SAPS**) provides a precedent for a benefit sharing mechanism for Community Power Networks. SAPS assets are funded in full through the RAB, and net positive revenue from energy traded through central dispatch is deducted in full from the distributor's annual revenue requirement, based on actual rather than forecast revenue.

We propose to model our benefit sharing mechanism on this precedent, with one change so that customers receive the market revenue sooner. For SAPS, the deduction is made in the first year of the next regulatory control period, which can be several years after the revenue is earned. The Proven Trial factor instead returns market revenue each year, two years after it is earned and adjusted for the time value of money, through a separate factor in the control mechanism.

2.4 Trigger conditions and success metrics

We propose to use the success metrics the AER has already set through its regulatory sandbox. The AER's trial waiver decision sets out these metrics for our Community Power Network pilot and what Ausgrid must report during the trial. The Proven Trial factor is triggered only if the independent end-of-trial report verifies that the pilot meets these metrics.

Table 2.2 lists the metrics the AER accepted in its trial waiver decision, and the evidence we will use to test the pilot against each.

Table 2.2: Success metrics for the Proven Trial factor

AER reporting metric	Detail	Evidence	When available
Quantified benefits	Improved network utilisation compared with historical levels, and capex savings	End-of-trial report	September 2031
Consumer outcomes	Reduced augmentation and whole-of-system costs	End-of-trial report	September 2031
Value-stacking of batteries and revenue streams	Use of storage to provide network services, such as FCAS, grid stabilisation and inertia	End-of-trial report and audited revenue	September 2031
Customer dividend	Cumulative value of the Community Power Network dividend, and amount paid	Quarterly and end-of-trial reports	From March 2029
Equity	Affordability metrics, and consumer sentiment research by UNSW and RACE for 2030	End-of-trial report	September 2031

3 Funding arrangements and true-ups

3.1 Funding by phase

The way Community Power Network assets are funded changes as the Community Power Network moves from pilot to BAU. Table 3.1 summarises the four phases, and sections 3.2 to 3.5 explain each in turn.

Table 3.1: Funding arrangements by phase

Phase	Period	How assets are funded	How market revenue is treated	True-up
Pilot	FY27 to FY29	ARENA funding of $13.2 million plus trading revenue.	Trading revenue funds the pilot alongside ARENA funding.	None.
Pilot completion	FY30 to September 2031	Battery costs, plus DSO costs, in the 2029-34 allowance.	As during the pilot, under the trial waiver.	None.
Proven Trial factor period	From FY33 in the base case	Approved expansion assets are RAB-funded through PT_t.	Returned to customers through BS_t, with a two-year lag.	Differences between allowed and recovered revenue, through the unders and overs account.
BAU	From 2034-39	Expansion assets enter the RAB in full at the 2034-39 determination, subject to ex post review. CPN_t falls away, but BS_t continues so that market revenue is returned to customers.	Returned to customers through BS_t, with a two-year lag.	Differences between allowed and recovered revenue, through the unders and overs account. FY33 and FY34 revenue is returned through BS_t in FY35 and FY36.

3.2 The pilot, FY27 to FY29

In the current period, the pilot is funded by Australian Renewable Energy Agency (**ARENA**) funding of $13.2 million and by trading revenue. The pilot operates under the AER's trial waiver decision.[6]

3.3 Completing the pilot, FY30 to September 2031

Our 2029-34 regulatory proposal will include a network share of battery costs for the rest of the trial, under the pilot phase and DSO classifications in Attachment A. Some costs, such as those for DSO capabilities, may be funded in full through the RAB, based on causal cost allocation. The rest of the pilot's costs will be funded through other value streams.

3.4 The Proven Trial factor period, from FY33

Once the AER confirms that the conditions are met, approved expansion assets are funded through the RAB and recovered through PT_t. Approved expansion capex is treated as forecast capex from the time it is approved, for both the RAB roll forward and the CESS, as contingent project capex is.

Market revenue earned from the expansion assets, including payments from third parties for the battery capacity released to them to settle and optimise in the NEM, and revenue from trading local solar output bought from C&I customers in the wholesale market, is returned to customers through BS_t with a two-year lag and adjusted for the time value of money. Because PT_t is part of total annual revenue, any difference

[6] AER, Ausgrid Community Power Network trial waiver decision, 20 December 2025, pp. 4, 6.

between allowed and recovered revenue is trued up through the unders and overs account, in the same way as other revenue.

3.5 BAU, from 2034-39

Our 2034-39 regulatory proposal, due in January 2033, will include the approved expansion assets and the proposed BAU treatment of market revenue. At the 2034-39 determination, the expansion assets enter the RAB in full, and the CPN_t falls away. BS_t would still be needed in 2034-39 to return the market revenue the expansion assets earn to customers.

Because BS_t continues, the market revenue the expansion assets earn is still returned to customers each year, two years after it is earned and adjusted for the time value of money. Revenue earned in FY33 and FY34 is returned in FY35 and FY36 through BS_t, so revenue earned in the Proven Trial factor period is not lost at the transition.

This is why we have designed our solution around the control mechanism rather than a contingent project pathway. The control mechanism allows market revenue to be trued up every year through the annual pricing process, starting from an application we can make, subject to the pilot being proven. A contingent project can add expansion capex to the allowance, but it has no means of returning the market revenue the assets earn to customers. BS_t does this both while the Proven Trial factor recovers the cost of the expansion assets and after those assets enter the RAB. Without it, customers would fund the assets in full but would not receive the market revenue that offsets that cost.

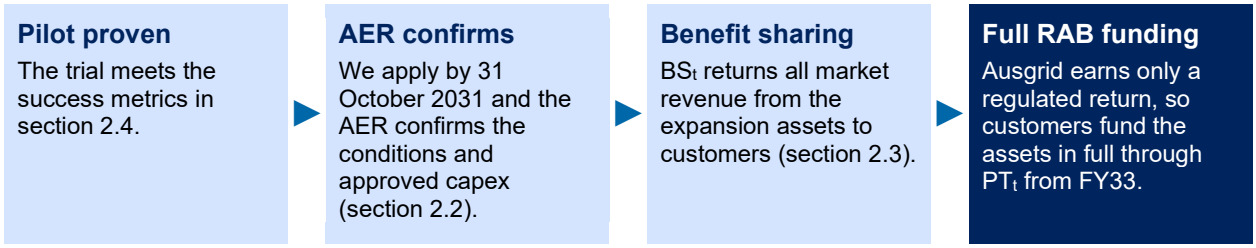
The more customers a Community Power Network serves, the greater the benefits it delivers and the more evenly they are shared. If most customers in an area live within a Community Power Network, almost everyone who funds the assets through the RAB also receives the local benefits, such as the customer dividend. If the Community Power Network is limited in scale, customers outside it would help fund assets whose local benefits go mainly to those inside it, creating a cross-subsidy. Scale will therefore drive how quickly we expand and the level of RAB funding we seek.

3.6 Why funding moves from ARENA to RAB funding

During the trial, the pilot is funded by ARENA and by trading revenue. If the model is proven, approved expansion assets are funded through the RAB, and customers receive all the market revenue those assets earn through BSt, and Ausgrid earns only a regulated return. The net cost to customers is therefore less than full RAB funding.

Figure 3.1 shows the steps from pilot funding to RAB funding with benefit sharing.

Figure 3.1: From pilot funding to RAB funding with benefit sharing



Net cost to customers is $PT_t = CPN_t - BS_t$, which is less than full RAB funding.

We acknowledge that once the assets are in the RAB, market revenue may fall short of forecast. The risk is limited to AER-approved expansion assets, and arises only once the pilot has met its success metrics, including value-stacking of revenue streams and equity (section 2.4).

4 Regulatory checklist

The Proven Trial factor is a new mechanism, but each of its elements follows an established regulatory practice. Table 4.1 sets out those practices and how our proposal applies them, so the AER would be using familiar tools to regulate a new service.

Table 4.1: How our approach follows established regulatory practice

Element	Established regulatory practice	How our approach applies it	Consistent
A separate Proven Trial factor	The AER adapts the control mechanism formulae as new arrangements arise. In its April 2026 Victorian decisions, it added concessional finance adjustments to the C factor, and an N factor for new site-specific tariffs. It preferred a separate N factor partly for transparency, and partly because of how its outcomes fall. At worst, customers pay what they would have paid under the previous mechanism. At best, they share in the benefits that new large customers bring.[7]	The Proven Trial factor is a separate factor, set at zero until the trigger conditions are met (section 2.1). Its outcomes fall the same way as the N factor the AER added in the Victorian decisions. At worst, if the pilot fails, customers pay exactly what they would have paid without it. At best, if the pilot succeeds, customers share in the network savings and market income the expansion generates.	✓
Application timetable	In its April 2026 Victorian decisions, the AER set a metering cost pass through process that runs through the annual pricing cycle. Applications are lodged before November in the year before recovery, considered through pre-lodgement engagement, and formalised when the AER approves the annual pricing proposal.[8]	Proven Trial factor applications would follow the same timetable, lodged by 31 October and taking effect from the following 1 July through the annual pricing process (section 2.2). Based on what the AER requires for metering, each would include evidence that the conditions are met, the expansion's costs, updated revenue models and the results of stakeholder engagement.	✓
Benefit sharing	Regulated stand-alone power systems (SAPS) are a standard control service whose assets enter the RAB. Under the AER's Shared Asset Guidelines, net positive generation payments a distributor receives are deducted from its regulated revenue.[9]	Community Power Network expansion assets would also be funded through the RAB. Market income they earn, including payments from third parties for the battery capacity released to them to settle and optimise in the NEM, and revenue from trading local solar output bought from C&I customers in the wholesale market, would be returned to customers through the benefit sharing amount (section 2.3), so Ausgrid earns only a regulated return.	✓

7 AER, Victorian Final Decision, Attachment 12, Control mechanisms, April 2026, pp. 7-8, 11-12.

8 AER, Victorian Final Decision, Attachment 12, Control mechanisms, April 2026, pp. 16-18.

9 AER, Shared Asset Guidelines (Version 2), June 2025, section 4; Attachment A, chapter 3.

Element	Established regulatory practice	How our approach applies it	Consistent
CESS treatment	Under the CESS, a distributor retains up to 30 per cent of a capex underspend and bears 30 per cent of an overspend. The Capex Incentives Guidelines add capex approved during the period, such as contingent projects, pass throughs and reopeners, to the allowance. The AER can also remove any CESS reward arising from an abandoned Integrated System Plan project.[10]	Community Power Network expansion capex would enter the allowance only once approved through the Proven Trial factor (section 3.4). If the pilot fails, Ausgrid is not rewarded for unspent capex. If the pilot succeeds, Ausgrid is not penalised for building, and the usual rewards and penalties apply to how efficiently it delivers the approved expansion.	✓
Transition to BAU	The Community Power Network pilot operates under a time-limited trial waiver granted through the AER's regulatory sandbox. Sandbox arrangements allow new models to be tested before regulators decide whether permanent arrangements are warranted.[11]	Our proposal gives the trial a defined outcome. If the pilot meets the agreed conditions, the Community Power Network model becomes a BAU standard control service. If it does not, the trial ends and customers pay nothing towards an expansion.	✓

[10] AER, Capital Expenditure Incentive Guidelines, version 4, August 2025, pp. 3-5, 13.

[11] AER, Ausgrid Community Power Network trial waiver decision, 20 December 2025.

Appendix A: Summary of F&A key terms and decisions

This appendix sets out wording the AER could adopt in its F&A. Table A.1 sets out the classification rows, as proposed in Attachment A. Table A.2 sets out the control mechanism and CESS wording.

Table A.1: Draft classification of Local Energy Precincts

Service	Description	Classification
Common distribution services (Local Energy Precincts – Pilot phase)	Delivering the bundle of activities needed to manage a Local Energy Precinct at the Trial Sites (Charmhaven and Mascot-Botany) under the AER's trial waiver of December 2025, until the trial ends. This includes: • Setting the batteries' safe operating envelope to prioritise network needs and releasing the remaining capacity to third parties to settle and optimise in the NEM • Buying local solar output from commercial and industrial (C&I) customers and trading it in the wholesale market • Paying customers a dividend reflecting the savings the model generates.	Standard control services
Common distribution services (Local Energy Precincts – BAU phase)	Delivering a business-as-usual version of the Community Power Network concept in new locations, once the AER has confirmed that the pilot has met the success metrics set in the distribution determination.	Standard control services

Table A.2: Draft control mechanism and CESS wording

Element	Draft wording
Formula	Total annual revenue for standard control services is calculated as $TAR_t = AAR_t + I_t + B_t + C_t + PT_t$.
PT_t	The Proven Trial factor for regulatory year t, which recovers the net cost of any expansion of the Community Power Network concept approved by the AER during the 2029-34 regulatory control period. PT_t is zero unless and until the AER has confirmed in writing that the conditions for the expansion set out in the distribution determination have been met. Where those conditions have been met, $PT_t = CPN_t - BS_t$.
CPN_t	The annual revenue requirement for the approved expansion assets in year t, comprising the return on capital, regulatory depreciation, operating expenditure and corporate income tax building blocks, calculated using the PTRM and the parameters approved in the distribution determination. These costs are not included in AR_t.
BS_t	The benefit sharing amount for year t, being the wholesale market and other revenue earned from the approved expansion assets in regulatory year t-2, adjusted for the time value of money consistent with formula 7 in Attachment B, Table A-1.
CESS	Expansion capex for Local Energy Precincts is excluded from the forecast capex allowance. It is added to the capex allowance for the purposes of the CESS only when, and to the extent that, the AER approves it through the Proven Trial factor.
Application timetable	Ausgrid may apply for the Proven Trial factor by 31 October in any regulatory year. Where the AER confirms that the conditions are met, PT_t takes effect from the following 1 July through the annual pricing process.