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23 July 2026

Mr Alfredo Careaga
Project Lead
Australian Energy Market Commission

Dear Alfredo:

Electricity Network Regulation Review package one consultation paper

AusNet welcomes the opportunity to respond to the AEMC's Electricity Network Regulation Review Package One Consultation Paper. AusNet considers that, as the energy transition accelerates, it is important that the regulatory framework continues to support efficient investment, innovation and deliver valued consumer outcomes while preserving appropriate competitive safeguards. This submission responds to issues related to electricity distribution and reflects the views of AusNet's electricity distribution business only.

Our submission focuses on the four key areas that AEMC consults on: service classification, ring-fencing, connection and facility access arrangements, and cost allocation. Our key positions are summarized as follows:

- **Service Classification:** AusNet supports a more flexible service classification framework that can accommodate emerging services and DSO functions. DNSPs should be allowed to participate in contestable markets where it delivers demonstrable customer benefits and supports efficient market development.
- **Ring-fencing framework:** AusNet considers the current ring-fencing framework remains fit for purpose, with no evidence that stronger obligations are required given the effectiveness of existing safeguards which limit the opportunity for DNSP participation in contestable markets to cause harm.
- **Connections and Facility Access Arrangements:** AusNet does not consider there is evidence of systemic barriers to competition within the current electricity distribution connection framework as it is applied in Victoria. In particular, there are extensive contestability arrangements in Victoria, providing competitive pressure on connection costs and greater choice for connection applicants. Some of the current issues surrounding the timeliness and costs of connections arise from network constraints rather than the connections process itself.
- **Cost Allocation and Shared Asset Arrangements:** AusNet considers the current cost allocation framework and shared asset arrangements remains fit for purpose.

Detailed responses to each issue are provided in the Appendix.

Please do not hesitate to contact Frank Hu, Regulatory Economist (frank.hu@ausnetservices.com.au) about this submission.

Sincerely,

Charlotte Eddy
General Manager, Strategy and Regulation (Electricity Distribution)
AusNet

Appendix

Responses to questions in relation to service classification

AusNet supports targeted reform of the service classification framework to ensure it remains fit for purpose as the energy transition drives the emergence of new technologies, services and business models. Any changes arising from this review should focus on establishing or modifying existing high-level principles and guidance within the NER, while leaving implementation detail to the AER through its guidelines and service classification processes. This principles-based approach will provide the flexibility needed to accommodate future technologies and market developments without requiring frequent rule changes each time a new service emerges. It will also allow the regulatory framework to evolve more efficiently and reduce unnecessary regulatory burden.

AusNet considers that the natural monopoly test should remain the starting point for determining whether a service should be regulated. However, it should not be the sole basis for service classification. The transition to a more decentralised and digitalised electricity system is creating services that sit at the intersection of network operations and competitive markets. In these circumstances, the framework should recognise additional grounds that may justify DNSP involvement, including consumer benefits, economies of scope, coordination benefits and positive externalities.

Examples include services associated with EV charging infrastructure, community batteries, DER orchestration, DERMS platforms and other emerging DSO capabilities. In some cases, DNSPs may be uniquely placed to facilitate the development of these services – which can offer whole of system benefits - because they can leverage existing networks, operational capabilities, data, systems and customer interfaces. Similarly, DNSP involvement may help address coordination challenges arising from contestable provision that can slow market development, including the "chicken-and-egg" problem currently being debated in relation to public EV charging infrastructure.

Importantly, recognising these factors should not be interpreted as creating an exclusive right for DNSPs to provide such services, nor as reintroducing monopoly rights into contestable markets. Rather, they should provide greater flexibility for regulators to permit DNSP involvement where this can be demonstrated to improve consumer outcomes while preserving competition where these arrangements will deliver the most efficient outcomes.

AusNet does not support applying a strict "market failure" test as the primary gateway for DNSP participation in emerging services. In practice, demonstrating market failure can take several years, by which time the relevant commercial opportunity may have passed and the associated consumer benefits may be lost. This would create a significant opportunity cost at a time when the energy system is undergoing rapid transformation and the need for timely development of new services to efficiently support this transformation is greatest.

Instead, AusNet considers that a more appropriate test would assess:

- whether competitive provision is delivering efficient, scalable and equitable outcomes; and
- whether DNSP participation can provide a demonstrable and material customer benefit that would otherwise be difficult to achieve.

This approach better reflects the realities of emerging markets and provides a more practical mechanism for evaluating DNSP involvement while maintaining an appropriate focus on consumer outcomes.

AusNet supports mechanisms that allow DNSP participation to be periodically reviewed by the AER, with clear pathways for transition where market conditions evolve and competitive alternatives emerge. One potential approach could involve limiting DNSP involvement to network-facing components of a service while maintaining competition in customer-facing or market-facing services. Such arrangements would allow consumers to benefit from DNSP capabilities where appropriate while preserving incentives for innovation and competition. For example, in the EVCI context, DNSPs could provide and maintain the underlying make-ready infrastructure and network connection assets, while charge point operation, electricity retailing, customer relationships and charging services remain contestable and are provided by competitive market participants.

Concerns about the risk of DNSPs expanding aggressively into contestable markets should also be considered in light of experience operating in these markets. In AusNet's experience, there is a higher risk profile associated with new energy services, particularly while they are relatively unestablished technologies. The higher delivery risk is due to compatibility with the existing network assets and often higher digital requirements, as new assets are integrated into existing systems, and managing cybersecurity risk where third parties are able to access assets. The fixed cost allocation that can be added to the RAB established by the AER in its waiver approval process also increases cost recovery risk relative to BAU distribution investments. AusNet's current footprint in non-network activities is very limited, comprising only a small number of pilot pole-top batteries (which were partly grant subsidised) which are not yet fully functional, while our related distributed energy business has recently ceased a number of its activities. This experience suggests that the risk of significant competitive harm arising from a more flexible classification framework could be lower than is assumed.

The review should also consider whether the current timing of service classification decisions remains appropriate. AusNet supports maintaining the Framework and Approach process as the primary mechanism for setting service classifications because it provides the opportunity for broad stakeholder consultation and early clarity for regulatory planning and cost recovery. However, under the current framework, service classification decisions can remain effectively unchanged for up to seven years once the full Framework and Approach and regulatory determination cycle is considered.

Given the pace of technological, commercial and policy change across the sector, this rigid approach and long timeframes can create challenges. In the recent Victorian EDPRs the AER introduced a negotiated service at draft decision stage for pole access for EVCI and a new negotiated service for Powercor at Final Decision stage. This indicates some flexibility, but only in circumstances where there has been a material change in information or circumstances. AusNet supports introducing greater flexibility to revisit classification decisions during a regulatory period where there is agreement between the DNSP, the AER and affected stakeholders that a mid-period change would be in the best interests of consumers.

Additional guidance is also warranted regarding the treatment of DSO services. As CER penetration increases, DNSPs will increasingly need to undertake activities such as CER visibility, hosting capacity management, local system coordination, flexibility procurement, interoperability and data exchange. Clearer principles would provide greater certainty regarding the regulatory treatment of these capabilities and support efficient investment in enabling infrastructure.

However, AusNet does not consider DSO to be a single integrated service. Rather, DSO encompasses a collection of different capabilities and functions, some of which may warrant classification as standard control services while others may be more appropriately treated differently depending on their characteristics, the beneficiaries of the service and the maturity of the relevant markets. Given the early stage of DSO development, the framework should retain sufficient flexibility to accommodate future evolution and avoid prematurely locking particular services into predetermined classifications. Forthcoming rule changes from the CER Taskforce should provide more clarity.

In addition, where certain DSO functions and capabilities are classified as standard control services, appropriate cost recovery arrangements will be required to support efficient service delivery and unlock customer and system benefits. Additional guidance may be required on how efficient DSO-related costs are forecast, assessed and recovered through the regulatory determination process. This is particularly relevant for emerging DSO functions, where, in contrast to traditional network solutions, future expenditure can be highly uncertain and difficult to forecast in advance. For example, operating expenditure associated with the procurement of flexibility services may vary significantly over time depending on the evolution of DER uptake and the pace of electrification, the development of the market for flexibility service providers and network needs over the regulatory period.

AusNet also considers that improved service classification arrangements have the potential to reduce reliance on ring-fencing waivers. In practice, classification gaps are increasingly being addressed through waiver processes on a case-by-case basis. AusNet's own experience provides an example of this issue, having needed to seek a ring-fencing waiver shortly after the Victorian EVCI pole-leasing negotiated service arrangements commenced. This suggests that some emerging services are currently being accommodated through administrative workarounds rather than through a more complete and durable classification framework.

While we recognise the ongoing need for ring fencing arrangements and a fit for purpose waiver process, a more flexible and comprehensive approach to service classification would reduce the need for this type of reactive regulatory intervention, lower administrative burden on both industry and regulators, and provide greater certainty to market participants.

AusNet supports greater transparency in service classification decisions. When the AER determines whether or not to classify a service, as part of the F&A process, it should publish clear reasoning that explains how the relevant principles have been applied. Where the AER decides not to classify a service, it should also identify the circumstances, market developments or evidence that may justify revisiting the decision in the future. Greater transparency would improve regulatory certainty, assist investment decision-making and provide stakeholders with a clearer understanding of how the classification and regulation of emerging services will be assessed over time.

Finally, AusNet supports the assessment criteria proposed by the AEMC for ENA rule changes. The five criteria and supporting rationale are appropriate for assessing both the ENA rule change proposal and the broader review. Consideration could also be given to explicitly recognising support for electrification, battery uptake, DER integration and the emerging DSO role. Regulatory decisions should continue to focus on delivering long-term consumer value through enhanced system flexibility, coordination and efficient utilisation of distributed resources.

Responses to questions in relation to ring-fencing

AusNet's view is that the current ring-fencing framework is fit for purpose and should be retained in its current form. We do not consider a case has been made for strengthening the ring-fencing arrangements in the NER or the ring-fencing obligations in the Guideline, and our position is grounded in AusNet's own operational experience and the industry's compliance record.

The current framework has not been shown to be insufficient to prevent competitive harm in emerging contestable markets. There has also been no demonstrated evidence of material harm to competition arising from activities undertaken under ring-fencing waivers. This outcome reflects the effectiveness of the existing framework. Before granting a waiver, the AER undertakes a substantive assessment of the potential for competitive harm and cross-subsidisation, approving applications only where those risks are appropriately limited. The majority of ring-fencing waivers granted to date have supported government-endorsed initiatives designed to facilitate DNSP participation in contestable markets where commercial investment has otherwise been limited. In these circumstances, DNSP involvement is intended to address gaps in market delivery rather

than displace existing competition. Waivers outside these government-supported programs have been relatively limited in both number and scope, further suggesting that the risk of material competitive harm is low. Taken together, the available evidence indicates that the current waiver framework is appropriately targeted and that concerns regarding widespread competitive impacts are not borne out in practice.

Some of the alleged competitive harms cited by proponents, such as DNSPs providing preferential treatment to their own emerging services through access to information or network insights, remain largely theoretical and are not supported by demonstrated examples of market harm. In practice, DNSPs are increasingly focused on enabling market participation by making network information more accessible and transparent to all participants. For example, AusNet's GridView portal provides publicly accessible network information, including substation capacity, feeder data and tools to help identify suitable locations for community energy projects and public EV charging infrastructure.¹ We work closely with third parties through our GridView Improvement Group who shape our plans to evolve the data we share so it meets stakeholder needs. The purpose of these initiatives is to promote equal access to information and support informed investment decisions by third parties, rather than to create an advantage for DNSP-led activities.

The ring-fencing framework's effectiveness is further demonstrated through its compliance regime. DNSPs are required to submit independently audited annual ring-fencing compliance reports to the AER, including outlining all the controls in place to maintain compliance and self-reporting of any breaches identified during the reporting period. AusNet similarly has no history of formal complaints relating to distribution ring-fencing compliance. In the absence of demonstrated competitive harm, or evidence that the existing framework is insufficient to prevent such harm, AusNet considers there is no basis for strengthening the current arrangements.

Strengthening the ring-fencing framework would also be inconsistent with government policy objectives for emerging energy services. The majority of DNSPs' existing ring-fencing waivers support government-endorsed initiatives designed to facilitate DNSP participation in markets where commercial investment has otherwise been limited, including community batteries and public EV charging infrastructure. In these instances, governments have actively encouraged DNSP participation to accelerate deployment where private market investment alone has been insufficient. Accordingly, the majority of DNSPs' waivers arise from participation in government-sponsored programs rather than attempts to leverage their regulated monopoly position to gain an advantage in contestable markets. Tightening the ring-fencing framework would therefore sit in tension with these policy objectives. AusNet encourages the Commission to carefully consider this inconsistency when assessing whether any strengthening of the framework is warranted.

Finally, any strengthening of the framework should be assessed against the principle of regulatory proportionality. The current ring-fencing framework already imposes significant compliance obligations on DNSPs, including ongoing governance, reporting and independent audit requirements. Strengthening of the framework would increase regulatory burden despite the limited scale of DNSP participation in emerging contestable markets and the correspondingly limited potential for competitive harm.

Response to questions in relation to connections and facility access arrangements

AusNet supports efficient, transparent and non-discriminatory connection arrangements that facilitate investment and competition in emerging energy services. However, based on our experience, there is insufficient evidence that the current connection framework is acting as a systemic barrier to entry into contestable markets. While the AEMC raises questions about whether connection and facility access arrangements may impede competition, it is not clear what specific deficiencies in the current framework are

¹ For more details, see <https://www.ausnetservices.com.au/electricity/network-information/gridview-portal>

being identified. In our view, any reform should be supported by evidence of demonstrated material and systemic problems.

While some proponents have identified challenges associated with connecting emerging technologies such as EV charging infrastructure (EVCI), many of these challenges arise from underlying network constraints, augmentation requirements and project development decisions rather than deficiencies in the regulatory framework itself. The existing framework provides customers with multiple pathways to obtain connection services, significant contestability, and well-established opportunities for engagement and dispute resolution. In addition, the Victorian Government is monitoring EV charging infrastructure connections, as set out in its EV Regulatory Statement.² This provides an existing mechanism to identify and address any emerging issues and suggests caution should be exercised before pursuing further regulatory reform in the absence of clear evidence of systemic barriers.

Victoria's contestability framework already provides a strong competitive constraint

Victoria already operates under one of the most mature and extensive contestability frameworks in the NEM. In Victoria, all connection works, including design and construction activities, are contestable, with the exception of metering services. Customers can engage accredited third-party providers to undertake almost all components of connection works, including design, project management and construction activities associated. Accredited providers are able to undertake a broad range of network-related activities, including many complex connection and augmentation projects, subject to compliance with network standards and assurance requirements.

AusNet actively supports contestable connections through established accreditation and information arrangements. As part of every connection offer, AusNet informs customers of their option to pursue contestable delivery pathways and provides the processes and requirements for engaging accredited third-party providers.³ AusNet also maintains and publishes registers of accredited designers, constructors and project managers authorised to work on its network, enabling customers to readily identify and engage suitably qualified providers to undertake connection design, construction and project management services. Customers can readily access this information allowing them to independently investigate connection options, develop designs and deliver connection works. These arrangements have been in place for many years and provide customers with clear and transparent pathways to engage third-party providers.

The extensive use of contestable delivery demonstrates that these pathways are both accessible and effective. Contestable arrangements are routinely used by AusNet customers for residential developments, major customer connections and complex augmentation projects, with approximately half of connection-related capital works expenditure delivered through contestable providers. This indicates that customers have genuine alternatives available and that competitive pressures are already embedded within the Victorian connection framework.

Limited evidence that connection arrangements are creating a systemic barrier to entry

The AEMC raises questions regarding whether connection and facility access arrangements are impeding competition in contestable markets. However, the available evidence appears largely anecdotal and concentrated on a relatively limited number of emerging technology projects, particularly EVCI. AusNet processes a large volume of connection applications each year while formal complaints and disputes

² Victorian Government, Department of Energy, Environment and Climate Action, EV Charging Regulatory Statement: Unlocking the Rollout of Electric Vehicle Charging Infrastructure Across Victoria (April 2026).

³ AusNet Services, Connection Services Agreement – Competitive Tendering section, which provides customers with the option to: (1) accept AusNet's delivery of construction works; (2A) manage a competitive tender process themselves using technical specifications provided by AusNet; or (2B) request AusNet to manage a competitive tender process on their behalf.

concerning connection outcomes remain exceptionally rare. This suggests that the overwhelming majority of connection matters are resolved through existing processes and do not require escalation to formal dispute mechanisms.

In AusNet's experience, many of the challenges encountered by emerging technologies are driven by underlying network constraints and augmentation requirements rather than shortcomings in the connection framework. AusNet's network has been planned using probabilistic planning over many decades which means network capacity headroom in many areas is extremely limited. This approach has kept network charges low over a long period of time, but does mean there is not a lot of headroom readily available.

This can create challenges for high-capacity EV charging infrastructure which often requires substantial electrical capacity. Where sufficient spare capacity is unavailable, network augmentation may be required before the connection can proceed. These augmentation requirements naturally increase connection costs and delivery timeframes, reflecting the physical characteristics of the network and the investment required to accommodate new demand, rather than deficiencies in connection processes or negotiated access arrangements.

Changes to negotiation frameworks or dispute mechanisms are unlikely to materially reduce costs or timeframes where underlying network constraints remain the principal driver of connection costs and timeframes. Any consideration of regulatory reform should therefore be supported by clear evidence that identified issues are material, systemic and attributable to shortcomings in the framework itself.

Existing information tools and engagement mechanisms already support market participants

AusNet recognises that information transparency is important in ensuring efficient investment decisions by networks and reducing unnecessary project costs for connection applicants and other market participants.

The current framework already provides a range of mechanisms that assist customers in understanding network opportunities and constraints. These include network information resources, network data visibility and planning tools such as GridView, and active engagement with customers seeking to develop new projects. AusNet continues to engage with customers to provide preliminary guidance regarding network capability and potential connection considerations.

In addition, the Victorian contestability framework provides customers with access to accredited designers and service providers who can undertake more detailed assessments of network options and connection solutions where required. Customers are therefore not solely reliant on the network business for technical expertise or project development support.

While there may be opportunities to further improve transparency over time, it is important to recognise that determining optimal locations for assets such as EV charging infrastructure requires consideration of multiple factors including customer demand, traffic patterns, commercial viability, land access and network capability. Many of these considerations sit outside the expertise and responsibilities of network businesses.

For this reason, there should not be an expectation that network service providers undertake detailed speculative assessments of potential commercial opportunities on behalf of market participants, particularly where the costs of such activities would ultimately be borne by all electricity consumers.

The low use of dispute mechanisms suggests the framework is operating effectively

The AEMC raises questions regarding the relatively infrequent use of dispute resolution mechanisms and whether this indicates shortcomings in the negotiate-arbitrate framework. AusNet considers that caution should be exercised before drawing such a conclusion.

The low utilisation of dispute mechanisms may indicate that participants are generally achieving satisfactory outcomes through existing processes. It may also reflect the existence of alternative pathways available to customers, including contestable service delivery arrangements. Customers who are dissatisfied with proposed connection solutions already have practical alternatives available to them and can pursue contestable delivery approaches where suitable.

The existence of a dispute mechanism remains an important safeguard. However, its infrequent use should not be assumed to indicate that it is ineffective. Rather, the low volume of disputes may suggest that negotiations are generally functioning as intended and that connection outcomes are being resolved successfully without the need for formal intervention.

There are also other ways customers provide feedback, including directly to AusNet and via Governments. We are not aware of extensive, systematic complaints via these channels, other than concerns around EVCI which are addressed above.

Connection Costs Reflect Established Cost Allocation Principles

It is also important to recognise that connection costs are determined under established regulatory arrangements. Connection charges are calculated in accordance with the AER's Connection Charge Guidelines, while shared network costs are recovered through network charges approved by the AER through the regulatory determination process. Where connection works are contestable, customers may obtain a connection quote from either AusNet or an accredited third-party provider. These arrangements reflect the long-standing causer-pays principle, whereby customers requiring network investment contribute to the augmentation costs they cause. Moving away from this approach would result in a greater share of connection-related costs being borne by other customers. While there may be circumstances where a departure from strict causer-pays principles is justified, such as where broader customer benefits arise from facilitating greater uptake of EV charging infrastructure and electric vehicles, this would represent a policy decision rather than evidence of a deficiency in the current connection and facility access framework.

Responses to questions in relation to cost allocation and shared asset arrangements

AusNet considers the current cost allocation methodology (CAM) is fit for purpose and does not support any changes to the NER in this area. Allocation by beneficiary remains the appropriate approach in principle, and no case has been made that the underlying framework requires reform.

The AEMC has raised questions about the treatment of multi-service or shared assets, particularly where the actual regulated and unregulated benefit shares of an asset diverge over time from those assumed when the asset was commissioned or when a relevant waiver was granted. However, we do not consider there is evidence of a material systemic issue that would justify more frequent reviews or additional administrative complexity. Differences between forecast and actual asset utilisation are an inherent feature of a forward-looking regulatory framework and, in themselves, do not indicate a deficiency in the current arrangements. The existing approach appropriately balances accuracy with regulatory efficiency, and has generally operated as intended.

Community batteries are often cited as an example where the actual regulated and unregulated benefit shares of an asset may diverge from those assumed when the asset was commissioned. However, where such divergence does occur, AusNet considers any reallocation is best addressed as part of a regulatory reset, aligned with the normal forecasting and review cycle, rather than through ongoing or ad hoc reassessments. This approach provides a reasonable opportunity to correct material deviations while avoiding the administrative burden and regulatory uncertainty associated with continual re-litigation of cost allocation outcomes.

If changes to the framework are considered necessary, they should apply prospectively to new assets rather than retrospectively revisiting existing cost allocation decisions. Any adjustment mechanism should also be symmetrical, capable of increasing or decreasing the proportion of costs allocated to regulated services depending on how actual asset usage compares to the original forecast.

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23 July 2026

Mr Alfredo Careaga
Project Lead
Australian Energy Market Commission

Dear Alfredo:

Electricity Network Regulation Review package one consultation paper – Nexa Proposed Rule changes

AusNet welcomes the opportunity to respond to AEMC's consultation on Nexa Advisory's proposed rule changes relating to distribution ring-fencing arrangements. This submission reflects the views and operational experience of AusNet's electricity distribution business only.

While we support the objective of maintaining appropriate safeguards to protect competition and consumers, we do not consider Nexa has demonstrated a need for the significant changes proposed to the current ring-fencing framework, which we consider is operating effectively and remains fit for purpose.

AusNet does not support Nexa's rule change request in its current form. Nexa has not put forward evidence of actual harm arising from the existing ring-fencing framework, or from the waivers that are currently in place, several of which have operated for a number of years. Nexa's case is framed prospectively and theoretically, rather than being grounded in demonstrated competitive harm.

The proposed rule changes are disproportionate to the limited potential for the harms to arise. The current ring-fencing framework already imposes significant compliance obligations on DNSPs, including ongoing governance, reporting and independent audit requirements. Nexa's proposed rule changes would significantly increase regulatory burden despite the limited scale of DNSP participation in emerging contestable markets and the correspondingly limited potential for competitive harm. AusNet therefore does not consider it appropriate to introduce disproportionate measure to prevent harms with limited potential to arise.

On elevating core ring-fencing obligations and waiver conditions into the NER

AusNet does not support Nexa's proposal to elevate core ring-fencing obligations and waiver conditions from the AER's ring-fencing guideline into the National Electricity Rules (NER). The AER already applies a high level of rigour in practice. Before granting a waiver, the AER undertakes a substantive assessment of the potential for competitive harm and cross-subsidisation, approving applications only where those risks are appropriately limited. We consider the current framework has not been shown to be insufficient to prevent competitive harm in emerging contestable markets. There has also been no demonstrated evidence of material harm to competition arising from activities undertaken under ring-fencing waivers. We therefore see no case for elevating core ring-fencing obligations and waiver conditions into the NER. Importantly, DNSPs are already subject to strong accountability and enforcement mechanisms. Compliance with the AER's Ring-fencing Guideline is a Tier 1 civil penalty provision under the NER, exposing DNSPs to the highest level of enforcement available under the framework. Moving ring-fencing obligations into the NER would therefore be unlikely to materially improve

compliance outcomes, while reducing the flexibility that the Guideline framework currently provides to adapt to evolving technologies, services and market conditions.

On requiring waivers to be a "last resort" (independently verified market failure plus measurable consumer benefit)

AusNet does not support Nexa's proposal to restrict ring-fencing waivers to circumstances of last resort, requiring independently verified market failure and measurable consumer benefit.

AusNet does not support the market failure limb of this test. Demonstrating market failure in a rigorous, evidence-based way typically requires several years of observation. If this were made a precondition for granting a waiver, customers would necessarily suffer the consequences of a market failure before it could be remedied through benefits of DNSP-led rollouts of emerging services (which may include speed or innovative solutions). AusNet considers it is in customers' best interests to allow DNSPs to provide services in contestable markets where this is deemed appropriate under the checks and balances of the existing waiver process.

In this way, Nexa's proposal is circular. Ring-fencing waivers, and the trials they enable, are themselves the mechanism through which evidence of market failure and customer benefit is generated. Requiring that evidence to already exist before a waiver can be granted would defeat the purpose of the waiver pathway altogether, effectively preventing DNSPs from ever undertaking the trials needed to establish whether a service is appropriate for broader or more enduring provision.

In addition, the majority of DNSPs' ring-fencing waivers relate to government-subsidised or government-endorsed programs, such as community battery programs and pole-top batteries, where government's own funding decision already reflects the underlying policy case for DNSP participation. Requiring AusNet to separately and independently demonstrate market failure, on top of a funding decision government has already made, is unreasonable and would create a significant and unnecessary barrier to DNSP participation in programs government itself has determined are in the public interest.

Finally, AusNet does not consider the "measurable consumer benefit" limb of Nexa's proposed test identifies a genuine gap in the current framework. Demonstrating consumer benefit is already a standard component of waiver applications and the AER's assessments under the AER's existing process. Nexa has not shown that current practice is deficient in this respect.

On the other issues identified by Nexa

AusNet considers that the other issues raised in Nexa's rule change request, including affiliate dealings and data access, and reporting, complaints and enforcement transparency, to be unnecessary and the associated proposed changes should be rejected. In large part, the concerns underlying these proposals reflect a perception that current ring-fencing practices are inadequate, rather than the reality of what DNSPs already do and make available.

On data access, AusNet already provides a level of transparency that goes beyond what Nexa's proposal would require, including through its Grid View platform and other data-availability tools, which give third parties meaningful access to network information. We work closely with stakeholders through our GridView Improvement Group (GIG) to continuously refine and uplift published data. This existing practice demonstrates that competitors already have access to the kind of information Nexa's proposal is intended to guarantee.

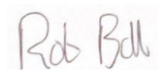
On transparency more broadly, AusNet already does much of what Nexa's proposal seeks to mandate. Annual ring-fencing compliance reports to the AER are independently audited and covers processes and controls, any breaches identified during the year, and affiliated transactions, with both the report and audit review publicly available on the AER's website. AusNet also has no history of formal complaints regarding ring-fencing

breaches, evidencing there is no demonstrated failure requiring a new, formal complaints mechanism. While we do not object to the AER publishing its own enforcement actions and decisions, we do not support the publication of complaints themselves, which would be unusual regulatory practice and go beyond what is necessary to achieve reasonable transparency. The table below sets out examples of ring-fencing-related material AusNet already makes publicly available.

Material	Location
Public AusNet Distribution ring-fencing compliance reports and audit assurance reports (updated annually)	AusNet - Annual Ring-fencing Compliance Report 2025 Australian Energy Regulator (AER)
Public protocols and registers (updated quarterly)	Distribution ring-fencing compliance - AusNet

Please do not hesitate to contact Frank Hu, Regulatory Economist (frank.hu@ausnetservices.com.au) about this submission.

Sincerely,



Manager, Regulation (Electricity Distribution)
AusNet