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Australian Energy Market Commission  
*Submitted via portal: ERC0436*

Dear AEMC

**ERC0436 - Consultation paper, Accelerating EVCI program**

Essential Energy welcomes the opportunity to respond to the Australian Energy Market Commission's (AEMC) consultation on *Facilitating electric vehicle charging infrastructure under Commonwealth grants*. Essential Energy is also providing its response to questions raised in the consultation jointly with Ausgrid and Endeavour Energy, as the three NSW distribution network service providers (DNSPs)

As the operator of one of Australia's largest electricity distribution networks, Essential Energy's network covers approximately 95 per cent of New South Wales and services more than 900,000 customers across regional, rural and remote communities, as well as parts of southern Queensland.

Through this role, Essential Energy has direct experience of the conditions the Program seeks to address. In many of the remote and regional communities we serve, Electric Vehicle (EV) uptake remains constrained not by consumer preference alone, but by the limited visibility, availability and reliability of EV public charging infrastructure. These constraints are often most acute in locations where commercial investment conditions are weakest, and where early infrastructure provision plays a critical role in enabling adoption. This perspective informs our submission, which focuses on how the rule framework can best support Program design that is aligned to its stated objective of resolving these market gaps.

Essential Energy strongly supports the intent of the proposed rule change and the policy objectives of the Commonwealth's Accelerating EV Charging Program. In our view, the Program responds to a genuine and important market problem: the need to accelerate EV uptake by addressing the "chicken-and-egg" dynamic between charging infrastructure and vehicle adoption, particularly in locations where commercial investment has not yet occurred or remains weak. That Program's objective is well-founded and, if implemented effectively, is capable of advancing outcomes consistent with the National Electricity Objective, including more efficient long-term investment, improved consumer participation in electrification, and progress toward emissions reduction.

Our core concern is not with the objective of the Program, but with the risk that its implementation may not remain aligned to that objective. As currently framed, the design appears capable of optimising for least-cost deployment and short-term utilisation, rather than for the outcome the Program is intended to achieve – namely, changing the conditions we observe that are presently constraining EV uptake. In our view, that creates a material risk that the Program will favour locations where the market is already forming, rather than locations where intervention is most needed to unlock adoption through

infrastructure provision. The rule change is therefore important not only because it enables the Program mechanically, but because it can and should establish the governing discipline that keeps implementation aligned with the Program's stated purpose.

This risk is compounded by the central role that "metro" and "regional" distinctions appear to play in the Program design, despite these terms not being clearly defined. As currently presented, these categories operate as a key dependency for how funding is expected to be allocated, yet they do not reliably reflect the underlying market conditions the Program seeks to address.

Locations such as Newcastle or Wagga Wagga illustrate the problem: each functions as a regional servicing hub, with characteristics of both metropolitan and regional markets, and each location plays a critical role in supporting surrounding areas where infrastructure is sparse. Without a clear and consistent basis for classification, there is a risk that location decisions may be driven by labels rather than by the thinness of the market.

More fundamentally, this highlights that geography is an imperfect proxy for market need. If the objective is to accelerate EV uptake by addressing infrastructure driven constraints, then targeting must instead be grounded in functional market conditions – namely, where charging availability remains a binding constraint on adoption – rather than relying on broad and undefined geographic categories.

#### **Objective discipline: starting from first principles**

The Program is framed around three core objectives: increasing EV uptake, resolving the "chicken-and-egg" problem between infrastructure and demand, and addressing market failure.

Those objectives imply a clear intervention logic. Public funding is being deployed not simply to increase the number of chargers, but to change the conditions under which EV adoption occurs. The Program is therefore most effective where it:

- increases the visibility and availability of charging in locations, which is constraining adoption;
- reduces the risk faced by early-stage investors in thin or uncertain markets; and
- enables market formation in areas where commercial investment has not yet occurred.

This establishes a simple but critical principle:

**The success of the Program should be measured by its contribution to EV uptake and market development, not by short-term utilisation or lowest-cost deployment alone.**

Where this principle is not maintained, there is a risk that the Program delivers infrastructure without materially advancing its core objective.

#### **The structural risk: cost optimisation versus outcome delivery**

There is an inherent tension within the current design. Optimisation for lowest cost per charger and near-term utilisation will tend to favour locations where:

- EV uptake is already stronger;
- commercial providers are already active or likely to invest; and
- utilisation risk is lower.

In contrast, the “chicken-and-egg” problem is most acute in locations where these conditions do not hold, for example regional and rural areas of Australia with sparse populations and more socio-economic diversity. This creates a structural misalignment:

**A cost-optimised model will preferentially allocate funding to markets that are already forming, rather than to markets where intervention is needed to unlock uptake.**

The consequence is not simply suboptimal allocation of funding. It is a risk that the Program reinforces existing patterns of adoption, rather than shifting them. In doing so, it under-delivers on its stated purpose. If the Program progresses in its current form, this will leave – and possibly exacerbate – the relative deficiency of accessible, reliable public charging infrastructure in regional, rural and remote areas. Further policy and/or regulatory measures will be required to ensure people who live outside major cities have access to the benefits that come with owning an EV.

### **Metro versus regional: undefined concepts, substantial consequences**

This issue is compounded by the reliance on “metro” and “regional” distinctions within the Rule change proposal, which are likely to transfer to Program design.

These terms are not clearly defined, yet they appear to operate as a key structural input to how the Program is intended to function. The absence of clear definitions creates ambiguity and risk. Locations such as Newcastle or Wagga Wagga illustrate the problem: they operate as regional hubs, with characteristics of both metropolitan and regional markets, and play a critical role in servicing surrounding catchments. Without a clear basis for classification, there is a risk that:

- functionally similar markets are treated differently;
- funding signals are distorted; and
- targeting decisions are driven by labels rather than by underlying market conditions.

More importantly, the binary distinction itself is an imperfect proxy for the problem the Program is attempting to solve. This points to the central design discipline the rule change should reinforce. If the Program is intended to resolve the “chicken-and-egg” problem, then implementation should not be guided by broad and undefined geographic categories, or by cost and utilisation metrics that naturally favour markets already moving. It should instead be guided by the presence of the problem the Program exists to address.

In practice, that means targeting should be grounded in functional market conditions: where EV uptake remains weak, where public charging visibility and availability are limited, where commercial participation has not occurred, and where the absence of infrastructure is still acting as a binding constraint on adoption. A framework built on those conditions would better align the Program’s objectives with its delivery logic, give clearer effect to the policy rationale for intervention, and provide a more coherent basis for assessing whether the resulting outcomes are consistent with the long-term interests of consumers under the National Electricity Objective.

### **Functional targeting: aligning design with the objective**

More importantly, the binary distinction itself is an imperfect proxy for the problem the Program is attempting to solve. If the objective is to resolve the “chicken-and-egg” problem, then this is the critical design test: targeting must be driven by the presence of that problem, not by geography or other proxy

indicators. In practical terms, this requires a shift to functional targeting based on market conditions. A more robust approach is functional targeting based on market conditions, including:

- the level and trajectory of EV uptake;
- the availability and visibility of public charging infrastructure;
- evidence of commercial participation or absence thereof; and
- the degree to which infrastructure scarcity is constraining adoption.

Under this approach, the question is not whether a location is “metro” or “regional”, but whether:

**the provision of charging infrastructure is likely to change adoption behaviour at the margin.**

This directly aligns targeting with the Program’s objective. It also avoids the risk that funding is directed toward locations where:

- chargers are most likely to be used,
- but least likely to influence adoption outcomes.

In practical terms, functional targeting ensures that public funding is directed toward additionality – that is, toward outcomes that would not occur in the absence of the Program.

#### **Market reality: participation will not be evenly distributed**

The need for functional targeting is reinforced by observed market behaviour.

The current model implicitly assumes distributed participation from charge point operators. In practice, participation will be constrained by available capital and commercial prioritisation, with deployment concentrating in the most attractive markets.

This has two implications. First, the aggregate level of participation assumed by the model may not be realised. Second, where participation does not occur, the delivery obligation necessarily shifts elsewhere within the framework.

This reinforces the importance of ensuring that the design of the Program, and the rule framework that underpins it, is aligned to the locations where intervention is most needed.

#### **The role of the rule change: embedding objective alignment**

The AEMC is not responsible for Program design. However, the rule change can play a critical role in shaping how that design is implemented.

In particular, the rule framework can ensure that outcomes remain aligned with objectives by:

- reinforcing that deployment should be assessed in terms of its contribution to EV uptake and market development, not solely cost efficiency;
- ensuring that assessments of prudent and efficient expenditure adequately reflect scale, uncertainty and delivery risk; and
- avoiding rigid definitions or segmentation approaches that constrain the ability to target genuine market gaps.

This is fundamentally a question of discipline. The Program has a clear objective. The Rules framework should ensure that implementation remains anchored to that objective.

### **Treatment of Commonwealth grant funding in the assessment**

Essential Energy considers the Commonwealth grant funding associated with the Program should be taken into account in assessing whether the proposed rule change is in the long-term interests of consumers. The rule change intends facilitate delivery of a specific Commonwealth-funded program, and the availability of that funding is therefore directly relevant to the assessment of consumer value.

If the rule change is not made, there is a risk that this funding may not be able to be deployed, or may not be deployed as effectively, to address the market gaps the Program is intended to resolve. That would represent a missed opportunity for consumers, particularly in locations where commercial investment is unlikely to occur without support. For this reason, Essential Energy supports the AEMC considering the availability and potential consumer value of grant funding as part of its assessment, while ensuring that the benefits remain grounded in additionality and outcomes that would not otherwise occur.

### **Alignment with the National Electricity Objective**

When clearly aligned with Program objectives, functionally targeted deployment of infrastructure, this rule change proposal is consistent with the National Electricity Objective.

By targeting investment toward locations where it has the greatest marginal impact on EV uptake and market formation, the Program supports:

- more efficient long-term use of network infrastructure;
- improved consumer participation in electrification; and
- more equitable access to emerging energy services.

Conversely, a model that prioritises short-term utilisation and lowest-cost deployment risks delivering infrastructure that is efficient in isolation, but less effective in advancing long-term consumer outcomes.

### **Conclusion**

Essential agrees with the well-founded intent of the Program but remains concerned that mechanisms to deliver it stay aligned with its intent to resolve the "chicken-and-egg" problem which may be slowing EV uptake. The rule change provides the opportunity to embed these principles within the regulatory framework. In doing so, it can ensure that the Program delivers on its stated objectives and policy intent.

Essential Energy welcomes the opportunity to discuss this submission further as the AER sees fit. Please feel free to contact me or contact Adam Young, Regulatory Strategy Manager, on 0414 926 406 or via email at [adam.young@essentialenergy.com.au](mailto:adam.young@essentialenergy.com.au).

Yours sincerely,

A handwritten signature in black ink, appearing to read "Hilary Priest".

Hilary Priest  
**Head of Regulatory Affairs**