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Australian Energy Market Commission
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**Submission — Consultation paper: Clarifying distribution ring-fencing in emerging energy markets (rule change request by Nexa Advisory), considered alongside Package 1 of the Electricity Network Regulation Review**

***Project reference ERC0435****: Package 1, Electricity Network Regulation Review (EPR0106) — Nexa Advisory rule change request, distribution ring-fencing in emerging energy markets.*

*This submission is made on a non-confidential basis and may be published.*

## 1. Introduction and interest of Q Energy Solutions

Q Energy Solutions (Qld) Pty Ltd (Q Energy) welcomes the opportunity to make this submission on the consultation paper published on 25 June 2026, addressing Nexa Advisory's rule change request on distribution ring-fencing in emerging energy markets, considered alongside Package 1 of the Electricity Network Regulation Review.

Q Energy writes as a direct market participant, not an advocate. Q Energy is a Queensland business, established in 2007 and based in Mount Isa with manufacturing and assembly in Gympie, that designs, deploys and maintains stand-alone power systems (SAPS) and remote energy infrastructure for off-grid and fringe-of-grid applications. Q Energy deployed its first standalone system for local-government infrastructure in 2019, has since delivered further off-grid and fringe-of-grid systems in regional Queensland — including utility-scale work undertaken with the regional distributor — and holds ISO 9001, 14001 and 45001 certifications. Q Energy has engaged with the Australian Energy Regulator on the regulatory treatment of remote supply models since 2023 (AER Enquiry Reference SBX0000053).

Q Energy's perspective is therefore that of an independent regional provider operating in the jurisdiction where the questions raised by this consultation are, right now, most immediate.

## 2. Context: Queensland has just activated the framework this consultation will shape

On 29 May 2026, Queensland activated the national regulated SAPS framework through the Electricity—National Scheme (Queensland) (Stand-alone Power Systems) Amendment Regulation 2026 (SL 2026 No. 54), declaring distributor-owned SAPS within three distribution footprints to form part of the national electricity system under section 6B of the National Electricity Law. Queensland has the largest single-wire earth return (SWER) estate in the National Electricity Market; according to Ergon Energy's published network data, approximately 65,000 kilometres of SWER lines serve fewer than four per cent of its customers. Publicly reported trial data illustrate the economics that will drive conversion programmes: Ergon Energy's Demand Management Innovation Allowance Report 2020–21 recorded avoided feeder operating costs of $776,638 per annum across two trial sites.

Two design features of the national framework, as adopted in Queensland, are directly relevant to this consultation. First, the generation component of a regulated SAPS is not a distribution service: the framework contemplates that it will ordinarily be provided by third parties, subject to the ring-fencing arrangements and their waiver mechanisms. Second, Queensland's own schedule 2 modifications include a metering concession (type 4A metering for small regulated SAPS) that is conditioned on the financially responsible participant being a market SAPS resource provider — the framework's registration category for market-facing SAPS generation. The jurisdictional design, in other words, anticipates third-party participation in SAPS generation and has built practical plumbing for it.

The market this design anticipates is at its formation point. In registers checked by Q Energy on 18 July 2026, no Queensland regulated SAPS had yet been registered. The competitive character of this market will be set by decisions made in the next several years — including the settings this consultation and the Australian Energy Regulator's concurrent review of the Ring-fencing Guideline (electricity distribution) and Shared Asset Guideline will produce. Q Energy respectfully suggests the two processes be closely aligned.

## 3. Independent capability exists

A recurring justification for broad ring-fencing waivers in remote-supply contexts is that markets are thin and capable third-party providers are unavailable, such that requiring procurement adds cost and delay without benefit. Q Energy does not dismiss that concern — genuinely thin markets exist, and Section 5 below supports a proportionate response to them. But the premise should be tested against evidence rather than assumed, because it is increasingly out of date.

Q Energy's own position is evidence on that question: an independent regional provider with almost two decades of electrical and remote-energy operations, a delivery and manufacturing base in regional Queensland, an operating record of standalone and fringe-of-grid systems including utility-scale work delivered with the distributor, engagement of private capital toward remote conversion programmes, and a regulatory engagement history on these models dating from 2023. Q Energy does not claim to be unique; interstate providers are active in the Victorian and Western Australian programmes, and the entry of further providers should be expected precisely because the addressable need is large. That is the point: independent capability exists and is growing, and regulatory settings that assume its absence risk foreclosing the market those settings are meant to protect.

## 4. Submissions

**4.1 Q Energy supports the direction of the rule change request.** Elevating the core ring-fencing obligations, and the principles governing waivers, from guideline level into the National Electricity Rules would give all participants — networks, providers and investors — greater predictability at exactly the moment emerging markets such as regulated-SAPS generation are forming. Investment in regional delivery capability, manufacturing and workforce is long-lived; it is made against the durability of the contestability settings, and rule-level settings are more durable than guideline-level discretion.

**4.2 Waiver assessments should include an evidence-based market test.** Where a distributor seeks a waiver to self-supply services that are otherwise contestable — including the generation component of regulated SAPS — the assessment should require contemporary, tested evidence of actual market availability: for example, an open expression-of-interest or market-sounding process, rather than an assertion that no capable provider exists. Waivers granted on market-failure grounds should be time-limited and reviewable as markets mature, and Q Energy notes constructively that recent waiver practice has included conditions directed at improving access for third-party providers — a sensible template that could be generalised into rule-level principle.

**4.3 Competitive neutrality should be an explicit assessment criterion.** Ring-fencing exists to prevent regulated monopoly businesses leveraging their position into contestable markets. In assessing waivers and in the design of the framework itself, the effect of distributor self-supply on the development of competitive markets — including the position of regional and smaller providers for whom foreclosure is most damaging — should be an express criterion, not an implicit one.

**4.4 Transparency supports both competition and legitimate network activity.** Q Energy supports public visibility of waivers granted and their conditions, of regulated-SAPS registrations, and of distributors' procurement intentions for SAPS generation components. Transparent procurement expectations protect networks as much as providers: a distributor that has tested the market and found it genuinely wanting has nothing to fear from a transparent record of that fact.

**4.5 The ENRR Package 1 service boundary should preserve the framework's design intent.** In considering what services network businesses should provide in a regulated capacity, Q Energy submits that distributor-led SAPS should mean distributor-led distribution: the customer relationship, the distribution system and the reliability obligation sit naturally with the network; the generation component was deliberately designed as contestable, and the service boundary settled through Package 1 should preserve that design rather than allow it to be unwound waiver by waiver.

## 5. A proportionate framework, not an absolute one

Q Energy does not submit that distributor self-supply should never be permitted. There will be genuinely thin markets, urgent safety-driven replacements, and remote circumstances where no provider can practically respond. A proportionate framework accommodates those cases through evidence-tested, time-limited, condition-bearing waivers — while ensuring that the default position, and the investment signal it sends, is that contestable services in emerging markets remain contestable. That balance serves consumers: competition in SAPS provision is the most reliable mechanism for lowering the delivered cost and raising the service quality of the conversion programmes from which remote customers stand to benefit most.

## 6. Closing

Q Energy would welcome the opportunity to participate in the public forum foreshadowed for August 2026 and to provide any further information of assistance, including operational detail on remote SAPS delivery in Queensland. This submission contains no confidential material and may be published in full.

Yours sincerely

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