

# FRAMEWORK AND APPROACH WORKSHOP

## Outcomes report

AU213009734.001  
V2.0  
01 June 2023


## REPORT

### Document status

Version	Purpose of document	Authored by	Reviewed by	Approved by	Review date
V1.0	Framework and Approach Workshop Report	Elly Baker	Rikki Butler	Nicola Wass	25 May 2023
V2.00	Final report	Rikki Butler	Nicola Wass	Nicola Wass	1 June 2023

### Approval for issue

Nicola Wass



1 June 2023

This report was prepared by RPS within the terms of RPS' engagement with its client and in direct response to a scope of services. This report is supplied for the sole and specific purpose for use by RPS' client. The report does not account for any changes relating to the subject matter of the report, or any legislative or regulatory changes that have occurred since the report was produced and that may affect the report. RPS does not accept any responsibility or liability for loss whatsoever to any third party caused by, related to or arising out of any use or reliance on the report.

#### Prepared by:

#### RPS

Rikki Butler  
Communications and Engagement Director

Level 16, 222 Exhibition Street  
Melbourne VIC 3000

T +61 3 9417 9700  
E rikki.butler@rpsgroup.com.au

#### Prepared for:

#### Victorian Energy Distributor Businesses

AusNet, CitiPower, Jemena, Powercor, United Energy

## Contents

<b>1</b>	<b>EXECUTIVE SUMMARY .....</b>	<b>1</b>
<b>2</b>	<b>WORKSHOP OVERVIEW .....</b>	<b>4</b>
2.1	Overview .....	4
2.2	Workshop objectives .....	4
2.3	Workshop Participants .....	4
2.4	Workshop process .....	6
<b>3</b>	<b>WHAT GAPS HAVE YOU IDENTIFIED? .....</b>	<b>7</b>
3.1.1	Key areas of discussion .....	7
<b>4</b>	<b>GAPS THE ELECTRICITY DISTRIBUTORS HAVE IDENTIFIED .....</b>	<b>9</b>
4.1	Gaps in the provision of export services .....	9
4.1.1	Key areas of discussion .....	9
4.2	Gap in the capacity to provide essential system services .....	11
4.2.1	Key areas of discussion .....	11
4.3	Gap in the provision of network data sharing and advisory services .....	14
4.3.1	Key areas of discussion .....	14
4.4	Gap in the ability to unlock value from batteries without contracting costs .....	16
4.4.1	Key areas of discussion .....	16
4.5	Gap in the provision of new electricity services in regional areas .....	18
4.5.1	Key areas of discussion .....	18
4.6	Gap in the provision of stand-alone power systems (SAPS) .....	20
4.6.1	Key areas of discussion .....	20
<b>5</b>	<b>PARTICIPANT FEEDBACK .....</b>	<b>23</b>
<b>6</b>	<b>POST-WORKSHOP DEBRIEF WITH THE VICBDS .....</b>	<b>ERROR! BOOKMARK NOT DEFINED.</b>
<b>7</b>	<b>NEXT STEPS .....</b>	<b>24</b>

# 1 EXECUTIVE SUMMARY

This report provides an overview of the feedback provided to the Victorian electricity distribution businesses (VICDBs) from participants at the Framework and Approach Workshop, held on Thursday 18 May 2023. This online workshop is the first step of the 2026-31 price reset regulatory proposals process, where the VICDBs consider whether there should be any changes to the services that they provide as distributors. Any changes will be proposed to the Australian Energy Regulator (AER) through the Framework and Approach (F&A) process.

Under the National Electricity Rules (NER), VICDBs must submit electricity distribution price reset proposals to the AER by 31 January 2025 for the 5-year regulatory control period from 1 July 2026 to 30 June 2031. The AER considers the proposals and, following its review, outlines the maximum revenues that the Victorian electricity distribution businesses can receive.

The first stage in the determination process is the setting out the F&A for the 2026–31 period.

The five Victorian electricity distributors have decided to come together and engage collectively on the F&A process as they will be tackling state-wide issues, and feel it makes sense to develop a state-wide response.

Workshop participants contributed to facilitated activities and discussions and shared their insights on the key discussion areas identified by the VICDBs.

Overall, the participants identified the following themes as key areas across all topics:

- Managing the risks and costs around service offerings and striking the right balance
- The role of the VICDBs – what are the key services they really need to provide?
- Need to share further detail and data on the problems that are trying to be solved.

Further detail on these topics is shared below.

## **Managing the risks and costs around service offerings and striking the right balance**

Participants in the workshop identified several gaps and concerns related to managing risks and costs around service offerings and finding the right balance. One major concern is equity in services and remuneration, highlighting the need to ensure fairness in the distribution of services and compensation. Additionally, participants recognise the potential for distributors to play a role as innovators, emphasising the importance of exploring their involvement in service offerings.

When discussing the provision of export services, the discussion primarily revolved around cost and fairness. Promoting competition and ensuring a level playing field was closely tied to sharing network data, with participants acknowledging the interconnected opportunities in this area. Questions arose regarding how the distribution network addresses these concerns and whether the government should play a role. Determining fair and equitable charges, conducting proper assessments, and measuring export services were also areas of uncertainty.

When considering VICDBs potential role in providing essential system services, the key consideration was only doing so if it offered customers the lowest cost possible. Some participants believe that if VICDBs can offer lower-cost services, they should, but they argue against classifying it through the F&A process. The risks and costs associated with providing services through voltage management need to be better understood, and the potential transition of Energy Storage Systems (ESS) from a transitional to a standard control service was proposed. The value to the average consumer and the facilitative role of networks in transitioning to renewables were also discussed.

In terms of network data sharing and advisory services, participants agreed on the need to recover costs for providing data to consumers and other parties. The increasing collection of data and its potential benefits to the industry were acknowledged, but the challenge lies in managing the cost of providing data while demonstrating clear consumer value.

Whilst discussing the gap in the ability to unlock value from batteries without contracting costs, participants agreed that unregulated revenue should be returned to customers, and there was a discussion about whether networks should own batteries or procure them from a competitive market.

In the provision of new electricity services in regional areas, the question of cost-sharing and cross-subsidisation arises due to potentially prohibitive costs. Finally, some participants felt the provision of stand-alone power systems (SAPS) requires clarity from distributors regarding where the benefits lie.

### **The role of the VICDBs – what are the key services they really need to provide?**

Throughout the workshop there was challenge from some participants to VICDBs to consider whether the services being discussed were key services that they really needed to provide. It is important to emphasise this was not a view held by all participants and the level of challenge varied throughout the workshop. In most instances there were counter views offered. However, it was a theme that ran through many of the workshop discussions.

Some participants felt there was a blurring of services and distinct boundaries had been removed. It was highlighted that The participation of VICDBs in service delivery depends on the competitiveness of the service and the level of market development. There was a question about what falls within the remit of the VICDBs (compared to others in the space, especially considering the increasing complexity of areas such as batteries, SAPS, and transmission).

When discussing the potential provision of essential system services, some participants highlighted that Essential system services are not classified as competitive services. It was felt that if Distribution Network Service Providers (DNSPs) can provide services at a lower price, they should do so in a competitive market as an unregulated business. One participant felt the current ban on distributors supplying Essential System Services (ESS) under ring fencing should be maintained.

With regards to the provision of network data sharing and advisory services there were some concerns about distributors' ability to effectively manage data based on their past performance. There were questions about whether distributors were adopting a "build it and they may come" approach similar to the National Broadband Network.

Whilst a potential role for VICDBs in ability to unlock value from batteries without contracting costs was considered some participants were unsure if networks should own batteries at all and for what purpose. Additionally, concerns were raised about ensuring that the benefits of these assets are passed on to consumers, with the suggestion that all unregulated revenue should be returned to customers.

In terms of providing new electricity services in regional areas, some felt that is was not the role of VICDBs to offer services like EV charging stations. Some participants argued that regional customers and services should not be supported or subsidised by distributors or other electricity users, suggesting that these services should be handled by the government outside the electricity system.

Overall, the workshop discussions highlighted differing views on the boundaries of VICDBs responsibilities. There were contrasting views on various aspects, emphasising the complexity and challenges involved in defining the role of VICDBs.

### **Need to share further detail and data on the problems that are trying to be solved.**

Participants in the workshop expressed the need for further detail and data regarding the problems that were being addressed. They sought clarity on the gaps and the specific problems that were being solved. One participant questioned the gaps mentioned in the pre-read material and raised doubts about whether vertical integration was the most suitable solution. There was a request for clarification on the concept of export services and what it entails.

Regarding the capacity to provide essential system services (ESS), some participants emphasised the importance of understanding the risk being considered and the problem that is being solved. They highlighted the lack of information on how much cheaper distributors could provide the service and the absence of a pressing need to change the current provision of ESS. Some participants expressed a concern about fully understanding the scope and dimension of the problem and whether it poses an increasing risk.

In terms of unlocking value from batteries without incurring costs, VICDBs were urged to identify barriers to compensation across the battery stack. Some participants felt there was a need to clearly define the problem statement and determine if there was a market failure that needed to be addressed.

Overall, participants emphasised the need for more detailed information, data, and clarification to better understand the problems being addressed, assess risks, and identify suitable solutions.

## REPORT

---

The findings of this report will be shared with VICDBs for their consideration and to inform their thinking about what they could do differently as they embark on the 2026-31 Price Reset regulatory proposals process.

## 2 WORKSHOP OVERVIEW

### 2.1 Overview

The Victorian electricity distributors are developing their regulatory proposals, in which they will propose future plans on how to operate and maintain the electricity networks. The Australian Energy Regulatory (AER) will then assess these proposals and determine whether the distributors may include the investment required for those future plans in their network charges to customers.

To support this process, the VICDBs have embarked on an engagement program to understand stakeholder and customers perspectives about the issues the distributors are seeking to address through the provision of new services. This engagement program will help to inform the development of state-wide recommendations to consider whether there should be any changes to the services that the VICDBs provide.

The VICDBs used this workshop to seek insights to inform and help shape their response to the F&A process as they embark on the 2026-31 price reset regulatory proposals process.

We are amid an energy transition that is transforming the way customers think and interact with the energy distributors, but it is also creating gaps in the provision of some key services energy consumers need and expect. This workshop provided the VICDBs an opportunity to seek feedback from customers to help consider what role they may play in meeting these gaps, the way they and the market provide services and what it would mean for customers if there was a change to the services provided.

This is the first of two workshops in this series. The insights shared during this first workshop will be used to inform VICDBs thinking about what they could do differently. Later in the year, the same participants will be invited to another workshop when VICDBs will share how they have responded to participants ideas and to test those proposed options with the group.

### 2.2 Workshop objectives

The objectives of this first workshop were to:

- Share the service gaps the Victorian electricity distributors have identified and consider if they should play a role in meeting them.
- Develop an understanding of the implications for customers if Victorian electricity distributors changed or provided new services.
- Capture participant insight that can be used to shape VICDBs response to the F&A process, which will set the parameters for the services that Victorian distributors provide over the 2026-31 period.

### 2.3 Workshop Participants

The VICDB's identified participants through a state-wide advertisement of an Expression of Interest (EOI) to participate' to ensure visibility and transparency of the session, additionally VICDBs circulated the EOI within networks and invited known key stakeholders. Finally, The Department of Environment, Energy, and Climate Change (DEECA) and AER representatives were invited directly.

The following participants attended the workshop:

**Table 1: VICDB Representatives**

VICDB Representatives	
Name	Organisation
Eliza Cochrane	AusNet
Justine Betlehem	AusNet
Sonja Lenkovic	Ausnet
Charlotte Eddy	AusNet
Brent Cleeve	CitiPower Powercor
Chris Gilbert	CitiPower Powercor

## REPORT

### VICDB Representatives

Renate Vogt	CitiPower Powercor
Ana Dijanosic	Jemena
Matthew Serpell	Jemena
Louise Baring	Jemena

**Table 2: Participants**

Participants			
Name	Organisation	Name	Organisation
Bradie Cetin	SE (Jemena EOI)	Lynne Chester	AusNet stakeholder representative
Constantine Noutso	Red Energy	Mark Grenning	AusNet stakeholder representative
David Markham	Energy Council	Matthew Mullins	CGI
David Prins	CCP	Meg Zerafa	AER
Gary Davis		Neil Watt	CGI (Jemena EOI)
Helen Bartley	CAP Member PoweCor	Paul Englund	CGI (Jemena EOI)
James Alexander	DEECA	Pedro De Sousa Carmo	CGI (Jemena EOI)
Ken Holder	KPMG	Peter Warren	CGI
Kieran Donoghue	AusNet stakeholder representative	Seb Rattansen	DEECA
Lawrence Irlam	Energy Australia	Tony Robinson	AusNet stakeholder representative / AusGrid consultative forum chair
Lynda Osborne	CAP Member PoweCor	Winnie Waudou	CAP Member PoweCor



## 2.4 Workshop process

**Timing:** 1:30pm to 4:30pm

**Location:** Online via Zoom

**Facilitator:** Rikki Butler, Director – Communications and engagement, RPS

**Support facilitator:** Elly Baker, Consultant – Communications and engagement, RPS

To ensure the most effective use of participants' time during the workshop, all participants were given a pre-read pack to provide context and information about the topics being discussed. The workshop involved a series of short presentations about each topic under consideration, followed by small group discussions, facilitated through four smaller breakout rooms. To support the active involvement of all participants during small group discussions, representatives from the VICBDs were allocated to each of the four breakout rooms to facilitate conversation and activities, and to hear participant insights firsthand. At the end of each small group discussion, outcomes were shared with the plenary group. The outcomes of these workshop discussions follow.

## 3 WHAT GAPS HAVE PARTICIPANTS IDENTIFIED?

At the start of the session the VICDBs detailed the massive transformation the energy system and market are undergoing, highlighting that these changes are, in some situations, creating service gaps that have not been met.

Participants were split from the main Zoom group in-to four breakout rooms, where they were invited to discuss which gaps they had identified in the energy market, before returning to the main channel to provide their feedback to the wider group.

### 3.1.1 Key areas of discussion

- Participants needed clarity around what the gaps are, and the problems they are trying to solve.
- Participants are concerned with equity in services and remuneration.
- There is blurring of services and removal of some of the distinct boundaries.
- Concerns around management of land functions are handled, especially rural.
- Concerns around data management.

#### 3.1.1.1 Room one

Summary of key points shared by participants in this room:

- One participant expressed uncertainty about the gaps addressed in the pre-read material and questioned if vertical integration is the most suitable solution.
- The AER has the capacity to grant waivers, but the early response has hindered the growth of the emerging market.
- Some participants believe that there are currently no gaps. However, the issue lies in the low adoption of technologies.
- The opportunity to conduct trials and learn is considered appropriate in the F&A, rather than prescribing a specific solution.
- Stand-alone power systems (SAPS) fall under a regulatory framework where it is more economically viable than maintaining the network.
- The participation of VICDBs in service delivery depends on the competitiveness of the service and the level of market development.
- For instance, one participant agreed with Ausgrid's proposal that there is no competitive market for batteries due to the absence of other participants.
- Exploring the role of distributors as innovators is deemed worthwhile.
- Gaps were identified in the context of batteries.
- Promoting competition and ensuring a level playing field are connected to sharing network data, with opportunities being interconnected.
- VICDBs possess expertise in assisting customers with managing Distributed Energy Resources (DER) during network changes, which one participant finds beneficial. It would be useful to explore the value provided to customers and consider alternative approaches.

#### 3.1.1.2 Room two

Summary of key points shared by participants in this room:

- Further exploration is needed regarding dynamic tariff rates and arrangements involving the aggregation of assets, such as virtual power plants.

- Participants requested clarification on the concept of export services and what it entails.
- One participant questioned the boundaries of advisory services but considered it potentially valuable.
- Sharing distributors' intellectual property (IP) in data is seen as advantageous for everyone involved.
- The delivery of land management functions by distributors, particularly for rural distributors, is not recognised by the AER.
- There is a lag in recognising these functions in the electricity sector compared to other infrastructure industries.

### 3.1.1.3 Room three

Summary of key points shared by participants in this room:

- The distinction between market and network services is becoming more blurred and complex.
- There is a question about what falls within the remit of the VICDBs (compared to others in the space, especially considering the increasing complexity of areas such as batteries, SAPS, and transmission).
- The question arises whether the VICDBs should offer new services directly or act as an enabler for other participants to utilise the platform, such as through DSO (Distribution System Operator) models.
- Alternatively, there is a consideration of whether the VICDBs should provide services to retailers, who would then pass them on to the customers.

### 3.1.1.4 Room four

Summary of key points shared by participants in this room:

- Data management: Managing data and intelligence derived from the distribution system's intellectual property (IP) for the benefit of consumers and businesses.
- Land management services: Addressing transmission and distribution concerns on privately or state-owned land, including associated environmental issues.
- Dynamic Tariff renting: Implementing flexible tariff rates that can adjust based on specific conditions or factors.
- Aggregated assets: Consolidating and effectively managing various assets within the distribution system.

## 4 GAPS THE ELECTRICITY DISTRIBUTORS HAVE IDENTIFIED

The remainder of the session was broken down in to six key discussion topics or service 'gaps', as identified by the VICDBs.

### 4.1 Gap in the provision of export services

Chris Gilbert, Senior Regulatory Analyst, CitiPower, PowerCor & United Energy, presented an explained the gaps in the provision of export services to the plenary group, before breaking them out in to their four smaller groups to discuss the two following questions:

- a. What are the key things the electricity distributors should consider when developing their approach to addressing this gap?
- b. Should export and consumption services have the same or differing arrangements?

#### 4.1.1 Key areas of discussion

- Participants generally support the two-way pricing model.
- Participants are most concerned about cost and fairness, and were concerned with the following areas:
  - How does the distribution network address this or is it left to government?
  - How do we make the charges fair and equitable?
  - What assessment is needed?
  - How do we measure export services?
- What do connection agreements lead customers to expect?
  - What local conditions are, what network requirements and constraints are (regional, rural, city), how expansions and other factors affect services.

##### 4.1.1.1 Room one

Summary of key points shared by participants in this room:

- Some participants advocate for export charging, using NSW Tariff Structure Statement (TSS) as an example, to enable two-way pricing that is considered equitable.
- Concerns are raised about potential adverse impacts on other customers if some customers choose to upgrade their own services.
- There is an opportunity to demonstrate that customers would benefit from export charging, particularly highlighting the positive outcomes for SA Power Network's (SAPN's) customers who can export energy most of the time.
- Dynamic export, combined with price signals in collaboration with retailers, allows customers to receive the desired value.
- It is plausible to consider discrete pricing for select customers rather than universal regulated services.
- Collaboration with VICDBs is ongoing to finalise the two-way pricing policy.
- Flexible exports would be beneficial in supporting the network during periods of minimum demand and addressing network challenges.
- Simplicity in implementation was emphasised.
- Time of Use (ToU) tariffs have been significantly reduced.
- Fairness in the charging mechanism is deemed important.

- The cost burden would vary based on the network location (rural vs. urban) and affordability considerations.

### 4.1.1.2 Room two

Summary of key points shared by participants in this room:

- Fair treatment of customers who are unable to export excess energy is important.
- There was a discussion around whether customers should have a right to a certain level of export services.
- Distributors, specifically VICDBs, should establish a common process for managing customer eligibility for export rights, emphasising the need for clear expectations.
- Recent changes to the Connection Charging Guidelines have addressed some of the concerns raised by distributors.
- Ensuring customer rights to the benefits of exporting when the distributor lacks the necessary capacity is a key consideration.
- Two scenarios for no exports exist: customers on single-wire earth return/high voltage (SWER/HV) single phase and potential future augmentation for future export capacity. Clear communication for each circumstance is essential.
- Participants hold differing views on whether the conditions of export and load should be treated differently.
- The expectations set by connection agreements require examination.
- Challenges are identified for people in rural areas who are likely to face restrictions or limited export capacity.

### 4.1.1.3 Room three

Summary of key points shared by participants in this room:

- Defining and incentivising the export service requires consideration of the reporting framework, service levels, and potential incentives.
- The feasibility of establishing a minimum standard for all customers across the network should be examined.
- Exploring additional services beyond the minimum standard is important.
- Ensuring transparency, avoiding surprises for customers, and meeting their expectations are key objectives.
- Determining the right to control power paths should take into account the impacts on assets.
- Revenue recovery sources should be analysed, comparing revenue from exports versus consumption.
- Strong emphasis was placed on the equity issue by several participants.
- Clarity is needed regarding the roles of VICDBs versus government decisions. Network efficiency should be set by the network, while the government should consider equity aspects.
- International examples such as California's Electric Vehicle (EV) tariffs and the Netherlands' access to solar photovoltaic (PV) for renters were mentioned.

#### 4.1.1.4 Room four

Summary of key points shared by participants in this room:

- Network visibility and data access from the distribution point of view are crucial, along with considerations of data sharing.
- Reducing expenses is important for market participation.
- Simply providing more data is not a game changer; data should be driven by business needs.
- The structure of data should not be overly rigid.
- Caution is advised to avoid a lack of competition and potential failure.
- Multiple approaches exist for service provision.
- Efficient delivery of services is essential, and costs should be appropriately allocated.
- Land management services and the blurring of service boundaries were significant topics.
- Essential services should be based on merit rather than being available to everyone.
- The absence of entitlement in export services is viewed positively.
- Clarity is needed regarding the services provided by DNSPs (Distribution Network Service Providers).
- Rules should be fair for solar customers, as well as for those without solar (e.g., renters or individuals without capital).
- There is an optimal level of exports, and surplus energy can be released back into the grid.
- The decarbonisation of society is a driving factor behind these discussions, aiming to maximise export capacity.
- Consumers participating in export services must take on responsibilities, such as adapting to different tariffs and enabling demand-side response/control.
- Clarity and fairness are crucial to ensure a level playing field and accommodate exporting activities.
- The system of exporting needs to be effectively managed, including setting thresholds and measuring exports against minimum standards.
- Network constraints arise when expansions are taking place.
- SAPN's two-way pricing model was mentioned.
- Fair charging mechanisms need to be established.

## 4.2 Gap in the capacity to provide essential system services

Justin Betlehem, Acting Compliance Manager, AusNet, presented on the importance of providing essential system services and the intersection between renewables, ensuring systems are safe and reliable, and the role distributors could play in meeting the capacity gap.

The participants were then asked the following questions in their breakout groups:

- Should Victorian distributors help to meet this gap?
- What are the considerations for their customers?

### 4.2.1 Key areas of discussion

- Participants expressed the need to understand the risk that is being considered and the problem that is trying to be solved.
- Having the lowest cost possible was generally a key area for the plenary group.

- Some participants expressed views that if VICDBs think they can provide lower cost services, they should, but these participants felt it should not be a classified service under the F&A.
- Some participants were concerned about the use of shared assets and allocation of subsequent costs.
- Some participants had concerns around the lack of communication and understanding of the topic with customers.
- The common theme was there is no defined yes or no answer here – depends a lot on how VICDBs navigate this area.

### 4.2.1.1 Room one

Summary of key points shared by participants in this room:

- Essential system services are not classified as competitive services.
- VICDBs can utilise existing assets as long as regulated customers receive all the benefits, following the updated standard AER rules.
- In the UK, industry experts have allowed Distribution Businesses (DBs) to participate but considered potential harms.
- If Distribution Network Service Providers (DNSPs) can provide services at a lower price, they should do so in a competitive market as an unregulated business.
- Risks and costs associated with providing services through voltage management need to be understood.
- The effectiveness of dynamic voltage control was questioned, highlighting the absence of its implementation in South Australia.
- Essential services are not solely unregulated; they are a central aspect of VICDBs' responsibilities to maintain a safe and reliable network.

### 4.2.1.2 Room two

Summary of key points shared by participants in this room:

- The current ban on distributors supplying Essential System Services (ESS) under ring fencing should be maintained. ESS is considered a contestable service and should not be provided as a regulated service.
- The case for distributor involvement in ESS depends on how much cheaper distributors could provide the service, and this information has not been presented.
- New generators have an interest in not destabilising the grid, which incentivises them to bring their own inertia.
- The efficiency of distributors in providing ESS compared to other contestable providers is a question to consider.
- It was proposed that ESS could initially start as a transitional service provided by the contestable market and gradually evolve into a standard control service.
- The provision of ESS is seen as a risk management issue. Distributors argue that they can provide it most efficiently, but there is currently no pressing need to change the current provision of ESS services. The question is whether the growing risks would support the entry of a regulated solution.
- The departure of fossil fuel generators from the system could serve as a trigger point for increased risk. Currently, only new generators are required to provide ESS, not existing ones.
- Residential inverters are also contributing to inertia issues, and the cost burden is being borne by new wind farms and solar installations. This is an argument for distributor involvement in ESS.

### 4.2.1.3 Room three

Summary of key points shared by participants in this room:

- The focus is on delivering services to end users in the most affordable way possible, with consideration for minimum costs and identifying the entities capable of providing these services.
- There was a discussion about whether there is a smaller incremental cost for Transmission Network Service Providers (TNSPs) to offer certain services, such as block PV to address minimum demand issues.
- There is a suggestion for VICDBs to take an active role in managing investments and not solely rely on the government, presenting an opportunity for VICDBs to address issues themselves.
- Concerns were raised regarding the use of customers' assets, including the need to address issues related to ringfencing, potential turf wars, and the possibility of cross subsidies. Engagement with retailers and generation companies is seen as crucial.
- Strong cost controls are advocated for, with the expectation that regulated assets should not be used to generate unregulated revenue.
- The level of awareness and concern among customers about these issues and services is questioned. It is proposed that VICDBs should communicate with customers about the services they provide, while ensuring clarity and avoiding confusion.
- Communication is considered important, recognising that customers are diverse, including commercial and industrial (C&I) customers, residential customers, and those in remote areas.
- Cost considerations are emphasised, highlighting the importance of finding efficient and prudent solutions.
- The discussion included consideration of the impact of VICDBs at the connection point versus beyond the connection point, suggesting a need to clarify their roles and responsibilities.

### 4.2.1.4 Room four

Summary of key points shared by participants in this room:

- There was a discussion about the potential cost advantages of Distribution Network Service Providers (DNSPs) and transmission providers in delivering services.
- Considerations were raised regarding reimbursement for customers who introduce stability into the network through their installations (e.g., solar or wind) and the potential costs passed onto consumers.
- The focus was on reducing overall costs and exploring the possibility of DNSPs providing services cheaper, potentially allowing them to expand their role in the energy sector.
- The value and benefit to the average consumer, as well as the role of networks in facilitating a smoother transition to renewables, were considered.
- The issue of ringfencing and the need to mitigate risks and ensure fast frequency response were discussed.
- The role of the Australian Energy Market Operator (AEMO) and Transmission Network Service Providers (TNSPs) was mentioned.
- There is a call to define the actual services and pursue cost reduction as a priority.
- The non-classified nature of the service under the F&A was highlighted.
- The use of existing assets under voltage control and the question of whether customers should pay for them through the Regulated Asset Base (RAB) was raised.
- The importance of delivering cheap and reliable energy is emphasised.
- There is a concern about fully understanding the scope and dimension of the problem and whether it poses a growing risk.



- The need for a reliable and secure operating network is emphasised, highlighting the importance of considering it as more than just an unregulated service.

### 4.3 Gap in the provision of network data sharing and advisory services

Chris Gilbert, Senior Regulatory Analyst, CitiPower, Powercor & United Energy, presented to the plenary group on monitoring systems that collect data on usage, power quality and network operations at higher voltages. Chris explained the growing demand for data access requests and how it can help customers and providers.

The breakout groups were asked to consider the following questions:

- Should data sharing and advisory services become a key service that the electricity distributors offer to customers?
- What are key things they should consider when making this decision?

#### 4.3.1 Key areas of discussion

- Participants agreed data is a complex topic and it would need to be managed.
  - There should be an alternate control service, rather than a standard control service.
  - Participants discussed options around how the data would be shared – whether that be through a portal, or an API which could plug in to other services.
- There was a consensus with the plenary group that there is a need to recover the costs to provide data to consumers or other parties for various requests.
- Managing privacy was a key concern.
- Third party access to data sets would open up more opportunities over time.
- Participants agreed there is a need for an advisory service to match the right needs to right data, given the complexities of the topic.

##### 4.3.1.1 Room one

Summary of key points shared by participants in this room:

- The collection of data is increasing, and its potential benefits to the industry are not fully defined.
- There is support for making data available and accessible, but the cost of providing data needs to be managed in a way that demonstrates clear consumer value.
- There is no objection to providing data services as long as they are not classified as Socialised Communication Services (SCS). The costs of providing data are believed to be lower than the value derived from it.
- Networks have shown commitment to sharing datasets with third parties, and there was a discussion about the need for data strategies and opportunities to unlock value for consumers.
- There is a debate between providing a basic service offering versus a more advanced offering, with considerations for privacy and the methods of data sharing (portal or API).
- It is important to consider the data needs of stakeholders and consumers, matching the data provided to their specific requests, and ensuring the format of the data is suitable for their use.

##### 4.3.1.2 Room two

Summary of key points shared by participants in this room:

- There are concerns about the ability of distributors to effectively manage data, given their past performance in this area.

- The focus should be on determining the intelligence and information that distributors intend to provide, who the intended recipients are, and their specific needs and preferences.
- There is a perceived gap in translating data into customer-friendly information, which could be addressed through an advisory service.
- There is a concern about the potential for distributors to create a "gold-plated" data service that may not align with customer needs or provide value for money.
- It is necessary to establish a clear distinction between regulated data services and value-add services and define the expectations for each.
- Distributors' existing processes are seen as clunky and siloed, which hampers efficient data provision.
- There are questions about whether distributors are adopting a "build it and they may come" approach similar to the NBN (National Broadband Network).
- The discussion also raises the question of whether distributors should be obligated to provide the data interface without necessarily storing the data themselves.
- The accuracy of distributor data is questioned, and there is a suggestion to provide incentives for improvement in this regard.

### 4.3.1.3 Room three

Summary of key points shared by participants in this room:

- There is a need to differentiate between providing data for compliance purposes and providing data for other purposes, to ensure clarity and avoid blurring the lines.
- There is a push to make data available and accessible, but with privacy controls in place and ensuring that it is used for the right purposes.
- In comparison to NSW, there may be less access to smart meter data than in Victoria, leading to different considerations and potentially different cost implications.
- There are a range of stakeholders who require access to data, including investors and individuals making commercial or residential investment decisions.
- Privacy concerns should be addressed by ensuring that data is deidentified before being shared.
- There could be a fee-for-service approach where data collection – this is taking away from the core businesses but is part of the current operating environment.
- Principles for sharing data and determining when to charge for it would need to be agreed upon across the sector.
- It is important to recognise the interpretation of data may vary, and there may be other organisations providing their own advice and interpretations. There is a need to consider the distinction between explaining and interpreting.

### 4.3.1.4 Room four

Summary of key points shared by participants in this room:

- The outcomes of the major review of privacy legislation should be considered in the context of data sharing.
- The distinction between identifiable and de-identifiable data needs to be clarified.
- Ongoing value for customers can be derived from accessing data, such as identifying leaks or improving decision-making.
- Ethical and moral considerations around data sharing and information privacy need to be addressed.
- Publishing data, within privacy constraints, can facilitate the entry of new businesses and players into the ecosystem.
- Enabling consumers to make better decisions is of paramount importance.

- Data should ideally be shared through an Application Programming Interface (API) in a reusable format, preferably in a de-identifiable manner.
- The need for ad hoc data requests should be reassessed.
- The broader benefits of data sharing and customer rights should be considered.
- Data management is complex, encompassing various types of data across different systems.
- Costs associated with data provision need to be recovered, while managing the perception of paying for data.
- Access to data can provide customer benefits and enable third-party opportunities.
- Improved data management by distributors is necessary to mitigate the risk of data inaccuracies, and incentives can be developed to encourage better data management.
- Considerations should be given to basic service offerings for data and different approaches to fees or cost recovery.
- Many customers and stakeholders have an interest in accessing data.
- Structured data publishing should be considered, while ensuring privacy protection.
- Access to data can empower consumers to make informed decisions.
- The party benefitting from data sharing should bear the costs associated with it.
- An intermediary service may be necessary to match data requests with the most relevant information.
- Providing data in the right format can minimise back-and-forth interactions.

### **4.4 Gap in the ability to unlock value from batteries without contracting costs**

Matthew Serpell, Electricity Regulation and Compliance Manager Jemena Electricity Networks, presented to the plenary group around the challenges of value stacking of batteries and other technologies.

The breakout groups were then asked to consider the following question:

- What key things should the electricity distributors consider when developing our approach to addressing this gap?

#### **4.4.1 Key areas of discussion**

- The plenary group agreed unregulated revenue should be returned to customers.
- Participants agreed batteries will be an important part of the transition, but VICDBs need to ensure a level playing field given some parties will be getting a regulated return on their batteries and others aren't.
- The group was unsure if networks should own batteries at all, and for what purpose.
  - Batteries can be a justifiable network asset if they can defer a need for augmentation and provide ability to meet export services.
- VICDBs need to be able to identify barriers to compensating across the battery stack.

##### **4.4.1.1 Room one**

Summary of key points shared by participants in this room:

- The market could be better served if VICDBs purchase battery services rather than owning them outright. Other entities can invest in batteries, and VICDBs can then purchase the services they provide.
- Community batteries have the potential to monetise the entire value stack, but this would require the involvement of other parties.

- There was pushback from various organisations, such as Energy Consumers Australia and Clean Energy Council, regarding the recent AER batteries waiver, despite its eventual approval.
- Contracting is not seen as an issue.
- There is support for implementing proof of concept for community batteries.
- While unregulated services are acceptable, there are concerns about ensuring that the benefits of the asset are passed on to consumers. All unregulated revenue should be returned to customers.
- The Department of Environment, Energy, and Climate Change (DEECA) supports contracting services. They want to see value compensation to networks for third-party services that provide value to the network, but there is currently no mechanism in place for such compensation.
- Current regulatory arrangements do not allow networks to accurately assess the value of storage from batteries. DNSPs need to make their case and quantify the value to overcome this barrier.
- Input from third parties on how to quantify the network value of compensation for batteries is of interest.
- There is a need to address barriers to compensating services provided by batteries and accurately quantify their network service value.

### 4.4.1.2 Room two

Summary of key points shared by participants in this room:

- Concerns exist that distributors might cross-subsidise the cost of batteries with regulated services, which could harm the market and erode confidence.
- The value of batteries to distributors is seen primarily in grid stabilisation, and there are questions about the extent to which their capacity is available for other purposes.
- Some participants believe that distributors should focus on their core role of grid stabilisation and not expand into the battery market.
- The current permissions and roles of distributors in relation to batteries are not clear.
- Participants sought clarity on whether VICDBs are seeking a single owner for batteries or attempting to dominate the battery market.
- A participant expressed dissatisfaction with the session, as they felt there was a lack of presentation on various options with pros and cons for participants to consider. Additionally, they felt issues with the current arrangements had not been clearly explained.

### 4.4.1.3 Room three

Summary of key points shared by participants in this room:

- The concept of single owner batteries was discussed, with a focus on understanding how to unlock the best value through contracting out.
- There is a consideration of whether it would be more efficient to have the VICDBs as the single owner of batteries located near Zone Substation Supply (ZSS) points.
- Participants express the need for a breakdown of the advantages and disadvantages of single owner batteries compared to shared ownership models.
- Investment in batteries is seen as a way to enable more energy export and avoid augmentation.
- There is an opportunity for energy arbitrage by storing and selling electricity, which can help reduce peak demand which could be facilitated by the distribution businesses.
- Regulatory arrangements are seen as creating barriers, but there is a role for VICDBs in enabling other parties such as retailers or aggregators to participate.
- Some participants suggest that retailers could own batteries, but pricing signals should reflect network constraints to ensure efficient operation.

#### 4.4.1.4 Room four

Summary of key points shared by participants in this room:

- The discussion revolved around the utilisation of assets, particularly batteries, and why they may not be fully utilised.
- It was mentioned that there are currently only a few batteries in operation, mostly in trial and innovation stages.
- Batteries serve two purposes: providing reliability and enabling the storage and sale of energy when it is economically advantageous.
- Batteries are considered essential for the integration of renewable energy and the stabilisation of the grid.
- There is a call for an open market and visibility in terms of how batteries can be sold and utilised.
- The value for money and the ownership of existing batteries was discussed.
- The need for addressing barriers and understanding the role of networks in owning and valuing batteries was emphasised.
- Batteries are seen as a crucial component of the energy transition, but there is a desire for a level playing field and learning from the experiences of the Federal Government.
- Concerns about cross-subsidy issues and the role of networks in stabilising the grid are raised.
- There is a question about whether networks should own batteries or procure them from a competitive market.
- The idea of conducting proof-of-concept trials and research on batteries is suggested.
- The ability to identify batteries across the battery stack and the potential for batteries to serve as a renewable identity service were also mentioned.

### 4.5 Gap in the provision of new electricity services in regional areas

Sonja Lekovic, Regulatory Policy Manager, AusNet presented to the plenary group on the potential unequal benefits spread the energy transition may have through regional areas.

Participants were then asked to consider the following questions in their breakout groups:

- Should the electricity distributors help meet this gap in certain circumstances/geographic areas?
- What are the considerations for their customers?

#### 4.5.1 Key areas of discussion

- The plenary group generally agreed it's not the VICDBs role to provide services like EV charging stations, but to provide a stable, and reliable network for them to connect in to.
- The group agreed the gap of services in regional areas should be funded discreetly as an initiative out of government policy, as opposed to by networks. It's not a function of regulated controlled services.
- VICDBs have role to point out the unequal benefits that could occur across their networks as part of regulatory rests.

### 4.5.1.1 Room one

Summary of key points shared by participants in this room:

- No, VICDBs should not support regional customers or deliver services when the competitive market does not.
  - Should not be cross subsidised by distributors and other electricity users.
  - Should be done outside the electricity system by Government.
- Assertions about competitive meter rollout were largely inaccurate. We're talking public charging availability, not the ability to charge your car.
- Cannot solve this issue using a distributor mechanism. Far too early, penetration of EVs is low. Funded discretely through policy but not distributors.
- Distribution networks have a role to point out the unequal or inequitable areas of their networks where customers receive unequal benefits during regulatory resets.

### 4.5.1.2 Room two

Summary of key points shared by participants in this room:

- Example of EV in rural areas is a bad example. Rural people are less interested in EVs due to distances.
- Believe market should be first preference (three quotes) and only after that should distributors be allowed in.
- Just because an area doesn't have facilities does not mean distributors should be involved. Is the next step distributors providing hospitals, doctors etc.
- Distributors should not be seeking to add further services given they will be seeking very large price increases in 2032-37.
- Distributors should be holding back and focusing on their own efficiency rather than expanding service offerings. A view we would be shelling out money for a few rich farmers.
- VICDBs should be providing a good network for people to connect to, not provide services beyond the connection point.
- The demand is not there for the things distributors are seeking to provide like EV charging stations.
- It is not the distributors' role to police EV charging providers buying up all the spare network capacity to lock out other players.

### 4.5.1.3 Room three

Summary of key points shared by participants in this room:

- Could it be similar to public lighting services, so can be requested by council/government?
  - ACS charge with a relationship with retailer because DNSP cannot provide the energy but provide infrastructure as ACS.
- If mounting assets on poles so shared asset guideline.
- Are we sharing the cost/cross subsidising because cost is prohibitive?
- Government needs to play a role in this.
- Different regions could have different solutions.
- Equity issue, distributor has responsibility to explain why it is not possible to provide on commercial basis so these regions to not get left behind.
- Ensure network has the capacity to charge and can put options out there to get regulators and govt to the table – needs a national approach.

#### 4.5.1.4 Room four

Summary of key points shared by participants in this room:

- Example of Portugal who started EV charging in urban areas and branched out to rural and regional areas (introduced it very fast).
- Comes back to cost.
- Whose responsibility is it? Government or consumers?
- Rolling out the smart metres has worked well in Victoria
- Is this a network or society issue?
- Do you want equity or build-up of EV charging stations to build up naturally?
- DBSNPs in Portugal didn't play a huge role.
- Funded discretely by Government not via the networks.
- Not the role of the distributor to provide these services.
- VICDBs could if they wanted to.
- Issues are getting more complex.
- Interesting discussion about what is the role of the DNSP.
- Providing EV chargers – no, but the infrastructure to facilitate the charging.
- DBs to point out the unequal benefits across the networks.

### 4.6 Gap in the provision of stand-alone power systems (SAPS)

Sonja Lekovic, Regulatory Policy Manager, AusNet, presented to the plenary group on SAPS and how they fit within the energy mix.

Participants were then asked to consider the following questions in their breakout groups:

- What are the key considerations of the electricity distributors offering SAPS, for both those customers who use them and those who do not?
- What is the role of networks in the provision of SAPS?

#### 4.6.1 Key areas of discussion

- The plenary group generally agreed that SAPS are an important part of the electricity mix and assisted with network resilience.
- Exemptions – while the market is not there, having the exemption or allowing VICDBs to own generation is positive to making SAPS possible.

##### 4.6.1.1 Room one

Summary of key points shared by participants in this room:

- The group noted that AEMCs consideration in this framework was the establishment of a flourishing market for those services.
- The preference to go to the market for battery services, but if no market participants are available, the distribution network service provider (DNSP) should step in and provide the service.
- Participants raised that obtaining waivers for certain requirements is not difficult.
- Recommendations to act within the existing framework of ring-fencing guidelines.
- Examples of Power Purchase Agreements (PPAs) in the UK between community generators and consumers, suggesting that a similar arrangement could be effective in the local context.

- Support for the inclusion of temporary Stand-Alone Power Systems (SAPS) after emergencies, with the responsibility for maintaining the SAPS resting with the distributor.
- Overall, the group emphasised the importance of a thriving market for battery services, while acknowledging the need for flexibility and the role of DNSPs in certain circumstances. They also highlighted the potential for innovative arrangements, such as PPAs, and the management of temporary SAPS in emergency situations.

### 4.6.1.2 Room two

Summary of key points shared by participants in this room:

- Distributors need to be clear where the benefits lie.
- Question whether the cost/benefit for SAPS is real.
- SAPS are about managing the potential risk of SWER lines.
- What is wrong with the current exemption process?

### 4.6.1.3 Room three

The group discussed the following points regarding SAPS and their integration into the network infrastructure:

- It is logical for the network to install SAPS, solar, and battery systems in remote areas for efficiency purposes.
- Addressing equity issues, there is a strong case for including SAPS on the Regulatory Asset Base (RAB) as they deliver safer and more reliable energy to remote locations.
- The transition to renewable energy requires a package of solutions that goes beyond the traditional delivery model.
- Solar and battery systems are different from diesel generation, as they are integrated with the network infrastructure. Therefore, there is a case for considering them as part of the network infrastructure.
- Instead of including SAPS in the F&A process, it was suggested to extend the current waiver, as the reasons for the waiver have already been recognised and can be extended or expanded through that process.
- There was a question about whether the cost of SAPS should be spread across all customers.

### 4.6.1.4 Room four

Summary of key points shared by participants in this room:

- SAPS are crucial, especially in Australia where large areas are remote and not easily connected to the grid.
- Examples from Western Australia (WA), specifically Horizon and Synergy, were highlighted due to the significant role of SAPS in the region, emphasising that SAPS will continue to be important for the foreseeable future.
- In Victoria, there is a need to address access issues in areas with long distances. Participants expressed the importance of Distribution Network Service Providers (DNSPs) improving access in these regions.
- The use of SAPS was considered preferable to Single Wire Earth Return (SWER) systems due to factors such as bushfire risks, rather than reliability concerns.
- The question was raised about whether the network should have the responsibility of managing and owning the entire SAPS.
- SAPS were seen as an economically and effectively viable solution for rural areas, helping to enhance network resilience.
- Participants noted that SAPS provide consumers with more choice in areas where options are limited.



## REPORT

---

- It was suggested that the narrative around SAPS should change to better meet the needs of consumers.
- Reliability of service was emphasised as a critical requirement for consumers.
- Participants highlighted the importance of companies taking a holistic approach to the supply chain.
- DNSPs were encouraged to foster a greater range of service providers in regional areas, promoting competition and innovation.

## 5 PARTICIPANT FEEDBACK

Participants were provided an option to take a short survey at the end of the session and share their feedback.

**Table 3: Participant feedback\***

1. Participant feedback
<b>Please provide us with one thing from the session you think we should stop?</b>
Rushing through so much.
Nothing.
Could have collapsed the last topics into one
The session was well run - nothing comes to mind that should be stopped.
Chunky subjects but slots short in meeting rooms. But it enabled us to keep time.
Nothing - pace was great. Topics covered were increasing difficult which was good.
Trying to enter markets you don't have an obvious role in...
<b>2. Please provide us with one thing from the session you think we should start?</b>
Longer engagement on less topics.
Nothing.
More information on cross subsidies.
The session was well run - nothing comes to mind that should be started.
Was really good.
Research options to consider - to limit to questions are scope and intent.
Thinking about how you can provide data to customers and service providers to support the energy transformation - especially in those regional areas that may be "hard to reach".
<b>3. Please provide us with one thing from the session you think we should continue?</b>
Break outs.
I hope the session was valuable for all people involved so please continue.
Collaboration.
The timing was well managed. There was no mad rush at the end to get through final breakouts.
Good session. Every voice and perspective was heard that was brilliant.
Great format - break out groups.
Consulting with customer groups and other stakeholders on your plans.
<b>4. Is there anything you'd else you'd like us to consider for future sessions?</b>
Mix people more in breakout rooms.
Keen to hear how policy is shaping the outcomes..
Can't think, but definitely great.
Nothing comes to mind just yet.
Allowing more time for discussion of each topic...

\*Feedback in this section is shared as provided, without edits to the copy.

## 6 NEXT STEPS

Findings of this report will be shared with VICDBs for their consideration and to inform their thinking around the services they provide and if there should be any changes as they embark on the 2026-31 Price Reset regulatory proposals process.

RPS will hold an internal workshop with VICDBs to understand their thinking about how they plan to take this forward. The outputs of that discussion will be used to inform the design of the second workshop in this series.

Later in the year, the same participants will be invited to a second workshop when VICDBs will present the proposed approach back to the group for testing and further consideration.

## Contact

**Rikki Butler, Director**

Level 16, 222 Exhibition Street  
Melbourne VIC 3000  
T +61 497 186 585  
E [Rikki.Butler@rpsgroup.com.au](mailto:Rikki.Butler@rpsgroup.com.au)