



24 September 2026

Australian Energy Market Commission
Level 15, 60 Castlereagh Street
Sydney NSW 2000

Re: Electricity Network Regulation Review - Package 2

The Smart Energy Council (SEC) welcomes the opportunity to provide a submission on the Australian Energy Market Commission's (AEMC) consultation paper for Package 2 of the *Electricity Network Regulation Review* (ENRR), published 13 August 2026.

The SEC is Australia's peak body for the renewable energy and storage industry, representing over 700 member companies across solar, battery storage, energy management, and related clean energy sectors. Our members build, finance and operate much of the network-connected infrastructure the energy transition depends on, and they share a direct interest in a regulatory framework that delivers that infrastructure efficiently and at least cost to consumers.

Package 2 asks foundational questions about how the regulatory framework promotes consumers' interests in the provision of regulated network services. These questions include how the framework allocates risk between networks and consumers (Question 9), how it enables anticipatory investment (Question 10), and how systematic risk is compensated through the rate of return (Question 11). The SEC's overriding interest across these questions is straightforward. The critical network infrastructure the transition requires must be delivered on time and efficiently, and this must be achieved without transferring avoidable cost and risk onto households and business energy consumers who are already under acute cost-of-living and cost-of-doing-business pressure.

The SEC's submission focuses on two priorities that the Commission should keep front of mind as the Review progresses:

- Delivering critical transmission infrastructure without socialising avoidable cost-recovery risk onto energy consumers; and
- Ensuring data centres and other large discrete loads pay for the connection and network costs their demand causes.

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1. Delivering Transmission Without Consumer Burden

The SEC strongly supports the timely delivery of the transmission infrastructure identified in the Integrated System Plan. AEMO estimates that around 6,000 km of new transmission will need to be built by 2050 to deliver a least-cost system, and delay in delivering it raises costs and risks for every consumer. The SEC does not want the regulatory framework to become a barrier to this investment. The SEC also supports sensible reforms that help networks procure long-lead-time equipment and undertake enabling works ahead of full approval, where doing so genuinely reduces overall cost and delivery risk.

The consultation paper acknowledges that anticipatory investment asks consumers to bear a different kind of risk upfront. This is the risk that the anticipated need does not materialise as expected. The SEC's position is that faster delivery must not be achieved by making the regulatory asset base (RAB) the default home for the risk of over-investment, stranded assets or delivery cost overruns. The phrase 'enabling investment' must not become shorthand for shifting cost and risk onto consumers.

The SEC recommends the following:

- **AER oversight and ex-post review:** Any expanded anticipatory-investment or early-works funding pathway must retain the AER's ability to test whether consumers should bear the cost of uncertainty upfront, and to disallow inefficient or imprudent expenditure. Faster delivery cannot come at the price of weaker consumer protection. The SEC has raised this concern consistently, including in its submission on the EV charging infrastructure rule change, where it opposed diluting the AER's role as the consumer-protection backstop in network cost recovery.
- **Project-specific management of transmission delivery risk:** The SEC agrees with the paper that the construction and delivery risks of greenfield transmission projects are more appropriately managed on a project-specific basis. These risks are better managed through tools such as contingent projects, cost pass-throughs and in-period adjustment mechanisms than through a higher systematic-risk allowance in the Rate of Return Instrument (RoRI). A blanket uplift to the RoRI to compensate for transmission delivery risk would over-reward the entire regulated asset base of both transmission and distribution networks at consumers' expense, for risks that are largely project-specific and diversifiable (Question 11).
- **Treatment of capex bias before further cost socialisation:** The SEC set out in its submission to the AEMC Pricing Review that network economic regulation remains

capex-biased, and that this bias creates a structural incentive for networks to expand their asset base. Anticipatory-investment reform must therefore be paired with genuine totex reform and effective non-network option (NNO) incentives. Consumers should not fund capital solutions where robust assessment shows that cheaper non-network alternatives would deliver the same outcome (Questions 5 and 6).

- **Cumulative bill impact assessment:** The paper itself raises the cumulative bill impact of multiple cost pass-through and contingent-project events, and the risk of insufficient consumer scrutiny as these applications grow more frequent. The SEC shares this concern and asks the Commission to view it broadly. The intra-period adjustments and anticipatory investment enabled by this framework will land on consumers alongside other measures already flowing through network and retail bills, including ongoing network augmentation and the Commonwealth EV charging infrastructure program. The Commission should assess the cumulative trajectory of RAB additions and cost socialisation before endorsing any change that increases what is recovered from consumers, so that it has a complete picture of the consumer cost path.

2. Large Load Network Costs

The consultation paper rightly identifies large discrete loads, and data centres in particular, as a growing driver of network augmentation expenditure and forecasting risk. The paper notes, for example, that AusNet's 2026-31 proposal included a 34.5 per cent increase in augmentation expenditure, driven substantially by demand growth including data centre connections, and that similar pressures are emerging across other networks. These loads are large, well-resourced and commercially driven, and their demand creates step changes in network need that must be located and funded.

The SEC's position is that the costs of connecting and supplying very large loads such as data centres should fall on those loads under a beneficiary-pays principle, rather than being socialised across households and small-business consumers through the RAB. Consumers should not underwrite the connection costs of the most well-resourced participants in the market.

The SEC recommends the following:

- **Closing the gaps in how data centres pay:** The SEC supports the direction of the rule-change proposals referred to in the paper. These proposals include Minister Bowen's proposals to close the gaps in how data centres pay for the network upgrades their connections trigger, and AEMO's proposal to improve the operational

visibility and integration of data centres. The SEC asks the Commission to ensure the ENRR framework is consistent with, and reinforces, those reforms rather than cutting across them.

- **Customer-funded default for large-load-driven investment:** The framework should default to the large customer funding the capacity it requests, rather than the RAB carrying the risk that the load does not eventuate at the forecast scale or timing. This default should apply where anticipatory or augmentation investment is driven by an identifiable large customer. The paper notes that some data centres already fund contracted capacity in advance.
- **Firm-capacity and flexibility obligations:** Large loads should be required to bring their own generation, demonstrate that their demand is backed by new firm capacity, operate flexibly and connect efficiently, consistent with the AEMC's July 2026 advice to Energy Ministers. These requirements ensure that other electricity consumers are not made worse off. Cost-causer signals of this kind also drive more efficient siting, co-location with generation, and demand-flexibility decisions by those loads. They deliver efficiency benefits for the whole system, not only fairness benefits for consumers.

3. Consumer Impacts

The SEC raises one further matter that cuts across these network questions and speaks directly to the consumer interest at the centre of the Review. The reforms now reaching consumers must leave them genuinely better off, rather than simply rearranging where costs fall. The Solar Sharer Offer (SSO) illustrates the risk. The SSO provides three hours of free midday electricity in Default Market Offer areas, but its benefit is undercut where retailers rebalance their time-of-use tariffs and recover the cost through higher peak, shoulder or supply charges.

Consumers in Victoria, Western Australia, Tasmania and the Northern Territory, and those without a smart meter, cannot access the Offer at all, yet they remain exposed to broader cost changes that flow from it. The SEC therefore recommends that the Default Market Offer options include a 'no worse off' guarantee, with equivalent protection for consumers outside Default Market Offer regions, so that no household pays more because of a benefit it cannot receive.

The SEC's submission to the AEMC Pricing Review made the related point that shifting network costs toward predominantly fixed charges would raise bills for households with solar and batteries by \$416 to \$684 per year and extend CER payback periods by \$353 to \$1,252 per year, as modelled by Green Energy Markets. Customers lose confidence when the value of their investment and flexibility is not reflected in the offers available to them, and many decline to participate in virtual power plants, which weakens the very consumer engagement the framework depends on.

Conclusion

The SEC supports a regulatory framework that delivers the transmission and network investment the transition needs quickly, efficiently, and with the flexibility to manage a genuinely uncertain demand outlook. The framework should achieve this while:

- preserving robust AER oversight and ex-post accountability;
- managing transmission delivery risk through targeted, project-specific mechanisms rather than a socialised rate-of-return uplift;
- addressing capex bias through genuine totex reform before expanding cost socialisation; and
- ensuring that large discrete loads such as data centres pay for the network costs they cause rather than passing them to households and businesses.

The Smart Energy Council thanks the Australian Energy Market Commission for the opportunity to provide this submission and welcomes further engagement on the matters raised.

If you have any queries on the issues raised, please do not hesitate to contact Rhiannon Evans, Senior Policy & Advocacy Officer, via rhannon@smartenergy.org.au.

Kind regards,

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