

## TERMS OF REFERENCE

### Review the regulatory framework for supply connection infrastructure in NSW

I, the Hon. Penny Sharpe, MLC, Minister for Energy, with the approval of the Premier, have entered into an arrangement for the provision of services by the Independent Pricing and Regulatory Tribunal (IPART) under section 9 of the *Independent Pricing and Regulatory Tribunal Act 1992* (IPART Act). Under this arrangement, IPART is to investigate and report on the regulatory framework for supply connection infrastructure in NSW in accordance with these Terms of Reference.

#### Context

The current NSW regulatory framework for electricity supply network infrastructure applies to distributors and transmission operators. The framework includes parts of the *Electricity Supply Act 1995* (ES Act), and regulations made under that Act. The framework sets out licensing and safety requirements and IPART's regulatory role.

Since this framework was put in place, the electrical supply system in NSW has evolved. Renewable generation and storage assets (e.g. solar, wind and batteries) are connecting to the existing grid with lines and substations (Supply Connection Infrastructure), infrastructure that does not easily fit in the current regulatory framework. This Supply Connection Infrastructure connects renewable generation and storage assets to:

- the existing transmission systems, or
- the existing distribution systems, or
- new Renewable Energy Zone (REZ) transmission and distribution systems.

The prevalence of Supply Connection Infrastructure is expected to increase significantly, as the electricity supply system transforms to renewable generation. There is uncertainty regarding how new and existing Supply Connection Infrastructure fits in the current framework, and as a result, how the regulatory regime applies to it.

This review is one of a series of reviews of the energy sector taking place across government. The purpose of this review is to contribute to the broader work of the Department of Climate Change, Energy, the Environment and Water (DCCEEW) in reforming and modernising the regulatory framework for energy networks in NSW, and, in particular, to ensure the regulatory framework is designed for the future and continues to provide appropriate and necessary community protections. This review will provide recommendations on how the regulatory framework should apply to Supply Connection Infrastructure assets within NSW.

#### The task

IPART should investigate and make recommendations on:

##### *Network regulation*

- 1) The regulatory framework that should apply to Supply Connection Infrastructure, including:
  - a. whether the infrastructure or assets should be regulated as distribution systems, transmission systems or categorised and regulated in a different way
  - b. if other categories are recommended, how these categories should be delineated from the existing network categories under the ES Act

- c. whether it is appropriate to impose existing obligations for network operators under the ES Act and regulations, on operators, owners or controllers of Supply Connection Infrastructure
  - d. consider the following, at a minimum:
    - i. the licensing framework,
    - ii. safety obligations, and
    - iii. assurance and compliance requirements.
- 2) If a new framework should apply to Supply Connection Infrastructure, whether any of the assets currently regulated by the ES Act are more appropriately regulated under the new framework.
  - 3) Any other regulatory framework improvements identified as part of the review.

In making recommendations, IPART should identify where legislative change would be required to give effect to its recommendations.

### **Relevant considerations**

In undertaking this task, IPART should, where relevant, have regard to:

- a) the regulatory regime for licensing and safety in NSW (including the ES Act and the regulations made under that Act)
- b) the regulatory regimes applicable in other jurisdictions
- c) the requirements of the *National Electricity (NSW) Law* and *National Electricity Rules*
- d) existing and proposed Supply Connection Infrastructure within NSW
- e) the nature and scale of the risk presented by Supply Connection Infrastructure and other types of network assets now and in the future
- f) the scale and business maturity of operators of Supply Connection Infrastructure and other types of network assets and their ability to comply with any proposed new regulatory arrangements
- g) the need to expeditiously and efficiently transition NSW to a renewable electricity supply system, including by considering:
  - i the costs and complexity of regulation for operators of Supply Connection Infrastructure and other types of network assets (including smaller and simpler network assets)
  - ii any barriers to entry arising from regulation of operators seeking to establish new Supply Connection Infrastructure
- h) the practicality, benefits and costs of complying with IPART's recommendations, including cost recovery considerations, and the costs for consumers if there is poor compliance and/or ineffective enforcement
- i) the practicality, benefits and costs of monitoring and enforcing compliance
- j) transitional issues as a result of IPART's recommendations
- k) any other matter IPART considers relevant.

### **Exclusions from the task**

The task does not include investigating or making recommendations on:

- 1) customer installations, including high voltage customers as defined by the *Service and Installation Rules of NSW*

- 2) generators, including renewable generators, and upstream energy storage facilities (as opposed to the Supply Connection Infrastructure that connects these assets to the grid).

### **The process**

IPART is required to provide a final report to the Minister for Energy and the Minister administering the IPART Act within 9 months of receiving these terms of reference.

IPART is required to consult with relevant stakeholders including existing network operators and the operators of current and planned Supply Connection Infrastructure.

**The Hon. Penny Sharpe MLC**  
Minister for Energy

Date: Approved by the Minister on 9 May 2025