

## **AER RESPONSES - PROVIDED AT THE SESSION**

### **What is the status of the draft Network Guideline (Version 7)?**

We are planning to build on the existing draft guideline and utilise information from that consultation.

### **Why is the focus on larger residential apartments? What about smaller blocks and caravan parks?**

In terms of the options that may impact the setting up and operating embedded networks, the AER is focusing on larger residential embedded networks as these are where we have observed the biggest growth, and which capture the largest number of customers. However, if stakeholders highlight issues that affect other types of networks, we will consider these.

Potential changes to the retail guideline, such as new reporting and family violence obligations, would likely apply to caravan parks and retirement villages.

### **Why limit the scope to only new embedded networks?**

Our initial view is that the focus should be forward-looking, since it may be impractical to make certain changes to existing embedded networks.

We welcome stakeholders' views on our proposed scope.

### **Is the AER working alongside the NSW government and the Independent Pricing and Regulatory Tribunal (IPART) in this review, or is this run separately? Will the AER take into account IPART's review?**

Our review is independent of work by other governments and regulators. We are mindful of ongoing consultations on the NSW framework for embedded networks, and will take this into consideration.

### **Will the AER leverage existing data provided to other recent reviews such as IPART?**

We are in contact with IPART, and we are aiming to understand what data they have received, and how it contributes to their findings.

### **IPART has recently said the DMO is not an appropriate tool for customers in an EN. What is the AER's position?**

We have not yet formed a view on IPART's latest draft report.

### **How does this review relate to the Retailer authorisation and exemption review (2022)?**

That review is now entitled "Review of consumer protections for future energy services" and has recently been considered by energy ministers. It is a separate piece of work, which focuses on the National Energy Customer Framework (NECF) and whether it is fit for purpose for new energy services.

### **Is the AER "looking for harm" – is there anywhere harm would not be found?**

While we acknowledge the risk of consumer harm exists in many areas within the energy market, we are focused on understanding the *extent* of harms *and* benefits that are occurring within embedded networks, before we come to a view on policy directions.

**Will the AER distinguish between an embedded network run by a third-party operator, and one owned and operated by the building or precinct itself?**

It's unlikely that we would distinguish between the two, based on legislation. The National Electricity Law (NEL) says that anyone who owns, operates or controls a network must be either registered as a network service provider with AEMO, or they must have an exemption from the AER.

If stakeholders consider that the AER can, or should, distinguish between the two, we would welcome your views and further information, via submissions and direct engagement

**How confident is the AER that all networks operating in an embedded network have registered as an exempt seller?**

A large proportion of exemptions are deemed. Those operators do not need to register, and the AER has limited visibility over deemed networks. Our Issues Paper considers potential options to improve our visibility. We will work with stakeholders including Ombudsmen to build a clearer picture.

**Is the disclosure of an embedded network to new tenants a leasing regulation, rather than an AER exemption condition?**

Yes, that is our understanding.

Additional note: While this disclosure may be covered in leasing regulations (depending on the jurisdiction), Condition 2 of the AER's retail guideline requires a factsheet to be provided at the start of the tenancy/agreement.

**How do we effectively communicate to the AER that our embedded network customers are better off?**

We are interested to receive any feedback or information on customer outcomes. Particularly, we would value quantitative data on customer outcomes, as opposed to individual cases.

**What options will the AER consider to ensure customers are receiving the benefits of an embedded network?**

Our Issues Paper considers potential options such as additional reporting, registration or compliance obligations. Before considering options in detail, we must assess the nature of embedded network benefits and gauge their extent.

**Could the AER revisit the 30-customer threshold for the obligation to register as an Embedded Network Manager, given the emergence of fee-for-service third-party ENM providers?**

At this point we can't comment on whether we would make changes to that threshold. If you consider that the 30-customer threshold isn't appropriate, it would be helpful to put in a submission so that we can start to understand the reasoning behind that.

**Does the AER perform audits on registrations?**

No, the AER does not currently audit exempt entities.

**Will the AER revisit the criteria of exemption applications?**

The AER may consider changes to the exemption criteria. The issues paper, notes for instance, that new criteria could require applications to demonstrate benefits to customers.

We welcome stakeholder views and suggestions to amend the exemptions criteria to address specific issues.

**Would regulation of network charges, in line with Power of Choice reforms, create open competition within embedded networks, and address concerns?**

We have not formed a view on this, but we understand it can be very difficult for a customer in an embedded network to find a retail offer

**With emissions objectives now in the National Energy Objectives (NEO), does the AER consider the supply of renewables to be a benefit?**

In deciding to grant an exemption, the AER must consider the National Energy Objectives, which now includes an emissions reduction objective. We would welcome stakeholder feedback on how we should consider this objective within the framework.

## **RESPONSES TO QUESTIONS WE WERE NOT ABLE TO ANSWER ON THE DAY**

**A simple requirement to have Authorised Retailers make energy only offers to small customers, and the concerns for price and harm will be removed overnight.**

The review is focused on issues that the AER can address within its powers – specifically under the Network Exemptions Guideline and Retail Exemptions Guideline. Authorised Retailer offers are outside the scope of the guidelines.

We are not currently intending to recommend or pursue rule changes or other reforms, however we are interested to hear about any issues that may affect outcomes for consumers.

**Authorised retailers won't offer a contract to a EN customer unless they have a National Metering Identifier (NMI), and operators aren't required to assign NMIs unless a customer has entered a contract**

We would welcome feedback and suggestions about how this issue could be addressed through the guidelines.

**For the 2500 residential embedded networks, are they all run by third-party operators or are any "inhouse" (i.e. the owners corporation / strata or community association)?**

While we do not have a comprehensive data set, we do understand some are "inhouse". However, we cannot comment on the proportion and would welcome information from operators about which entities are operating embedded networks, their different business models and incentives.

**Don't the guidelines currently require operators to provide residents with fact sheets, with explanation of the embedded network and how it works for residents?**

Yes. In July 2022, the AER introduced a new information provision condition for exempt sellers to provide their residential customers with an AER factsheet. This factsheet sets out for these customers the process, and the difficulties they may face, if they want to purchase energy directly from a retailer.

**Embedded networks, via long term bulk contracts, protected many consumers from recent energy crisis. Is this significant benefit being valued and considered?**

We are seeking information about how embedded networks facilitate cost and other benefits for customers, and would welcome information on this issue.

**Has the AER established a position on the 2030 smart meter rollout, and how that impacts metering in Embedded networks?**

We would welcome stakeholder views and feedback on how the AEMC's accelerated smart meter rollout reforms would impact customers and operators within embedded networks.

**How can exemption holders be incentivised to purchase energy at optimal times to ensure lower costs to customers?**

We would welcome stakeholder views and suggestions on this question.

**Is the AER able to address service providers, such as retailers, who benefit from a monopoly situation without price regulation like exempt sellers must follow?**

The review is focused on issues that the AER can address within our existing powers – specifically under the Network Exemptions Guideline and Retail Exemptions Guideline. Regulation of authorised retailer pricing is outside the scope of the guidelines.

We are not currently intending to recommend or pursue rule changes or other reforms, however we are interested to hear about any issues that may affect outcomes for consumers.

We note that other agencies, such as IPART and the Commonwealth Department of Climate Change, Energy, Environment, and Water (DCCEEW), are considering the role of price regulation in embedded networks.

**Microgrids (i.e. an embedded network) are key enablers for sharing technologies like solar, batteries, EVs, etc. Are these benefits included in the review?**

We are seeking to understand how embedded networks can facilitate renewable energy technologies that benefit customers.