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Active Utilities Pty Ltd
ABN 78 116 498 803
1300 587 623 | www.activeutilities.com.au
3 Bristol Street
ESSENDON FIELDS VIC 3041

Submission:

Review of the AER exemptions framework for embedded networks

February 5th, 2024

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5th February 2024

To: Mark Feather,
General Manager, Policy
Australian Energy Regulator
GPO Box 3130
Canberra ACT 2601

Dear Mark

Re: Active Utilities Pty Ltd. (Active) Submission to the Review of the AER Exemptions Framework for Embedded Networks

Thank you for the opportunity to comment on the Review of the AER Exemptions Framework for Embedded Networks.

Active provides a broad range of Local Utility Solutions to commercial, industrial, retail, and residential customers nationally. A key component of our business is the operations of Local Energy Networks (electrical embedded networks) Local Water (centralised hot water networks – gas & electric), Local Air Networks (centralised air-conditioning – chilled water & VRF/VRV) and the provision of Energy Monitoring System (EMS) and Building Management System (BMS) data supply and reporting for climate-related building accreditation.

Active operates nationally but the majority of our clients are located on the east coast of Australia. Our Local Utility Networks solutions are comprised of consulting with Property Developers, Strata Managers, and owners/managers of buildings, regarding the setup and ongoing operation and management of Local Electricity Networks, Local Water Networks and Local Air Networks.

As part of our solutions, we offer an agency service to building owners & operators and also act as the AEMO Accredited Embedded Network Manager (ENM) for Local Energy Network customers, ensuring their end customers receive a similar service offering to grid-connected network conditions and meet relevant legislative requirements for operating these networks.

The key differentiator between Active and many of our competitors in this space is our standard business model allows us to act in the best interests of the building. Our Managed Service (Fixed Annual Fee) solution is based on a schedule of fees allowing all benefits of the networks to be utilised by the building stakeholders to lower rates and fees.

As stated in your Executive Summary, your review is, in part, a response to ongoing concerns that embedded networks pose potential harm to consumers given the way they are set up, the primary concerns being that customers living in Local Energy Networks may pay higher

prices and do not have access to the same level of retail choice, and customer protections as those who live in Local Network Service Provider (LNSP) connected networks.

Active acknowledges that in the operation of certain embedded networks, with some providers, these concerns may be genuine, however, it is important to have as a matter of public record, that this is not the case in Local Utility Networks operated by Active where we design and install the Network to allow customers the freedom of choice if desired pending retailer acceptance. As the building controls the distribution of Local Electricity Network revenues, our customers generally are also on competitive market pricing.

Active strongly supports the:

- *Implementation of a review into embedded networks and the regulatory structures that govern them.*
- *Identification of issues with embedded networks and the need to improve customer protections and outcomes for customers living in them.*
- *Introduction of metering requirements that fully support retail Power of Choice.*
- *Regulatory frameworks that:*
- *Place benefits to the building and the end consumer at the centre.*
- *Prioritise equitable pricing outcomes and consumer protections.*
- *Future-proof the design of the system.*
- *Ensures that the regulatory framework will enhance the national standards and be taken up at the state level.*
- *Improve sustainability options and improve efficiencies.*

As we advised in our submission to the AEMC review in 2019, the Victorian Government review in 2021, the 2022 AER Review of the Retailer Authorisation and Exemption framework, and both the NSW Inquiry and subsequent IPART pricing review in NSW, Active believes that there is considerable scope to improve the operations of some embedded networks to enhance consumer protections. Our concern, however, is that the seemingly natural outcome of these reviews is to result in recommendations penalising ***all*** networks for the inappropriate behaviours of a few.

Active agrees with the sentiment of implementing increased controls on residential embedded networks, but further adds that this should focus on predatory embedded networks in their current format. Active's position is further elaborated in our submission below, particularly in our description of our approach and alternative considerations for your review.

Active understands the desired outcomes of the review and assures the AER that we, as an operator that is focused on the delivery of the substantial benefits of Local Energy Networks and to the buildings that have them, will assist in considering all the issues and concerns that are presented in the submission guidelines, as well as provide any relevant, non-identifying data that may be relevant.

Active is very willing to contribute and work closely with the AER on this review. Active recognises that, as explained in the body of this submission, the potential consequences of the price cap and other changes, that have not yet been considered, may include people's livelihoods, closures of small businesses, and major disruption of the Local Utility Network sector. Furthermore, this impact could extend into other associated industries, including electrical infrastructure, and the building and construction industry and once again, the end consumer will be left negatively impacted financially.

If you require any further information in relation to this submission, please do not hesitate to contact me.

Kind Regards,

Andrew McMeekin
General Manager
Active Utilities Pty Ltd

INTRODUCTION

1 EXECUTIVE SUMMARY

Active has participated in all the recent jurisdictional reviews into embedded networks and has maintained a consistent position in all our submissions and responses.

At our core, Active fully supports a regulatory framework that ensures that customers in embedded networks should face no greater, in fact preferably less, potential harm from their electricity supply arrangements as their counterparts in LNSP-connected buildings.

We will address specifics relating to barriers to accessing retail competition that have the potential to create the opportunity for monopolistic pricing later in this submission under the relevant headings but wanted to also note our support for the AER having a wider range of enforcement capacity to limit non-compliant behaviour.

We are very pleased to see that the review intends to encompass the potential benefits for customers living or conducting business in embedded networks. All too often the jurisdictional reviews have only focussed on the potential harm which has the potential to result in unworkable reforms.

The potential benefits are not limited to electricity pricing but to the increasing emergence of the sustainable buildings of the future, today, those that can harness the full potential of renewable energy, EV charging, and full electrification of services will place embedded networks at the forefront of grid infrastructure transition through their capacity to harness these in ways that LNSP's cannot.

Review Options

- *Requiring all current & future embedded network service providers to be registered on our public register of exemptions.*

We fully support this recommendation to ensure that all embedded networks, regardless of exemption classification, deemed or registrable, should be present on the exemption register.

We note the intent from the most recent (current) Network Exemption Guideline Review that there is an intent to clarify some confusing matters such as the Primary Registrant to ensure that when there are multiple involved parties, all are captured.

Recommendation:

For Network Exemptions, we recommend that the AER consider the approach taken by the Essential Service Commission (ESC) Victoria who identify the primary registrant as the owner of the electrical infrastructure necessary for the supply of electricity (not including meters), which is generally the Strata Entity (Owners Corporation, Body Corporate, Community Corporation etc.) or a building owner in a retirement village or commercial environment, noting that in some instances this may be multiple parties.

The registration with the ESC then requires the identification of any third party appointed by the owner to operate the network and who should be the contact point for activities, both consumer and regulatory, for that network. This would then identify the secondary registrants as those organisations such as Active who provide the operations.

For Retail Exemptions, Active would also note the current anomaly that allows Authorised Retailers to not complete a Retail Exemption even though actually operating as an Exempt Retailer as the network itself is exempt.

Active acknowledges that the AER is limited under the law which dictates who is required to act as an Authorised Retailer and who is required to act as an Exempt Retailer.

Active recommends that the AER give consideration to their capacity within the exemption framework to identify Authorised Retailers selling into Exempt Networks are introduce a requirement for these Authorised Retailers to comply with exemption conditions that have the potential to be harmful, such as current price cap restrictions.

Consideration should be given to the AEMC 2019 recommendation that a specific class of Retailer Authorisation be required for all on-sellers in embedded networks, including Authorised Retailers, to ensure that protections can be properly applied.

- *Requiring future embedded network service providers to submit an application to the AER that demonstrates customer benefits, before being permitted to register a residential-related exemption.*

Active believes that this requirement would go a very long way towards weeding out the less reputable element of our industry. This could easily cover residential customer (owner occupier or tenant) pricing advantages, financial advantages to the Strata (Owners Corporation, Community Corporation, Body Corporate etc.), sustainability benefits such as on-site renewable energy generation and storage, easily manageable EV Charging, demand management, stronger solutions for full electrification such as heat pump hot water, and support for sustainable certifications such as GreenStar, Climate Active Carbon Neutral, NABERS and NatHERS etc.

- *Imposing new reporting obligations and strengthening conditions relating to consumer protections.*

Active fully supports embedded network service providers either directly, or through the organisations such as Active that support them, being required to meet the same reporting obligation standard as Authorised Retailers.

All should be fully aware of their customer numbers, their level of complaint, their hardship and their life support requirements and obligations. Reporting on these and other areas on a quarterly basis should not represent a burden and would quickly identify areas of concern for the regulator to address.

There is no doubt also that embedded network service providers and their operational support businesses should be required to extend an identical level of protection to their

customers as an Authorised Retailer. Regardless of the technical design of the infrastructure that delivers the electricity we all perform the same function of retailing to residential customers and should be treated the same.

- *No longer granting exemptions for certain supply arrangements.*

This may well be warranted, however, without further information, we are unable to assess the value of this at this time.

2 APPROACH TO THE REVIEW

As discussed above, Active is fully supportive of this review and its intent and believes that a considered approach to regulatory evolution, compliance strengthening and pricing control will only serve to improve the value of embedded networks and allow a natural progression to them fulfilling their potential to be a genuine beneficial alternative to the current restrictive structure of the LNSP grid.

There are three (3) primary objectives of the review and Active recommends that consideration be given to a fourth objective specific to understanding the barriers to Power of Choice as presented by the Authorised Retailer market.

We will discuss this specific issue in greater detail but would note in advance that the limitations on Power of Choice are not, in the majority of cases, caused by the embedded network service provider but by most, but not all, Authorised Retailer's refusal to make energy offers. Regardless of this fact, it is the embedded network that bears the negative public sentiment and regulatory investigations that arise from an issue outside of our control.

Additionally, Authorised Retailers appear to lack the willingness to enter into NUoS (Network Use of Service) agreements with the EENSP. Power of Choice can be achieved via the energy only offer scenario, or through a NUoS agreement with the EENSP, where they could provide standard offers to small customers and the EENSP issues the network charges to the Authorised Retailer, exactly as happens in market transactions. Coordination of applicable Network charges would be via the assigned ENM who will be listing the applicable Network Tarriff via MSATS as part of the obligations on site management.

Active understands that the AER is limited in its capacity to address this specific item however its resolution is critical to the outcome of this, and all of the jurisdiction versions, review. This issue is not representative of the totality of the Authorised Retailer market, Active has worked with Authorised Retailers who are not only able and happy to provide offers to residential or business customers in embedded networks but also to accept network invoicing from Active to be able to provide a single bill to the customer.

In short, solve this specific issue and the majority of concerns relating to embedded networks evaporate.

Recommendation:
Active notes that the AER currently provides a list of Authorised Retailers on its website who are prepared to act for embedded networks should a RoLR event occur.

Active recommends to the AER that it invite submissions from Authorised Retailers in all jurisdictions, including Victoria, who are prepared to offer Energy Only quotations to customers in embedded networks.

Publication of this list, as well as its promotion to customers in embedded networks will allow customers to have some level of Power of Choice, perhaps not as broad as the full market, but sufficient at least to trigger pricing response in the embedded network.

It would be hoped that the presence of these Authorised Retailers encourages additional Authorised Retailers to consider the commercial benefits of including these products in their suite of offerings.

2.1. ASSESSMENT APPROACH

STAKEHOLDER QUESTIONS

1. *Do stakeholders consider one factor or principle should take precedence over another? If so, what weighting should we give the various principles or factors provided by the Retail Law and set out above, to support any changes in the exemption framework?*

Active has reviewed the principles of the NEO and the broader NRL that the AER must consider and is comfortable that these generally cover all of the elements that are necessary for the delivery of a regulatory framework within the Guidelines that ensure no greater consumer harm arises from the establishment of the technical infrastructure that forms an embedded network with all of its associated benefits.

We recommend that the primary attention of the review be given to the following two (2) principles:

- *Exempt customers should, **as far as practicable**, have the same right to choose a retailer.*

As embedded networks have been installed and functioning for more than 20 years in some jurisdictions, it is fair to acknowledge that many older sites may have outdated and potentially non-compliant (to 2023 standards) electrical infrastructure that makes Power of Choice to an Authorised Retailer more complex.

In the case of these legacy networks, a case can be made that these should be "grandfathered" from an immediate requirement to update their electrical infrastructure to meet the technical standards of Power of Choice.

Active would support the approach indicated by the 2019 AEMC Review that was impacted by COVID-19 that would see these networks progressively upgraded as electrical infrastructure upgrades occur as a part of the natural repairs and maintenance lifecycles. Perhaps consideration could be given to progressively upgrading meter arrangements for sites older than 12 years and then requiring it as the site reaches this 12-year milestone.

For new embedded networks it should be a required component of the regulatory guidelines that ***all metering works for customer billing*** involve a connected relationship with an Accredited Metering Provider (MP), Metering Data Provider (MDP) and Metering Coordinator (MC) to facilitate the transition of small customers to on-market child metering without the requirement for a change of meter, as this last component is a major contributing factor in the cost of moving on-market. Authorised Retailers will often require a change of meter regardless of the capacity of the meter to send compliant data to them.

- *Exempt customers should not**, as far as practicable**, be denied customer protections afforded to other customers.*

As stated earlier, Active sees no issue with extending the regulatory protections for customers in embedded networks to match those customers in grid connected buildings.

The other principles and factors that the AER may consider under the NRL are important, but incidental to the primary objectives of consumer protection and Power of Choice, which will enhance pricing protections and ensure equitable arrangements for customers in embedded networks.

- *Is the AER's proposed approach to the exemption framework review the preferred approach? If not, what other factors should the AER consider?*

Active is supportive of the approach taken by the AER for the exemption framework review, acknowledging that the key focus in on consumer protections and the minimisation of potential harms.

It is our stated belief that the electrical infrastructure arrangements of embedded networks are not, in and of themselves, the cause of customer harms. These are reflected predominantly in the commercially predatory behaviour of some ENO's and by addressing the key factors of customer protection the AER will arrive at a point where the continuation of embedded network installations in residential developments will consistently deliver the benefits that the infrastructure was designed to enable.

2.2 EVIDENCE BASE

Active shares the AER's perception that the volume of statistically viable evidence of customer harm in embedded networks is scant.

Active participated in the NSW Government Inquiry into embedded networks as an expert witness and further participated in the subsequent IPART review into pricing that was triggered following the Inquiry. In neither of these official jurisdictional reviews was evidence presented that showed a verifiable pattern of consumer harm. Nor was there any evidence

provided to suggest that the risks to consumers in embedded networks were any higher than to those in grid connected premises.

The IPART lead noted that of the approximately 140,000 customers in embedded networks (both electricity & hot water) they had received less than 80 customer submissions and only 8 individual submissions to their review.

It could be inferred that IPART's response to their enquiry has been, in part at least, to base their draft recommendation on those negative customer responses with little regard to the structural reality experienced by most customers.

2.3 RESIDENTIAL CUSTOMER FOCUS

- The supply of energy to higher-density residential embedded networks (this may include apartment complexes, retirement villages, duplexes, or townhouses). Exemptions for these types of dwellings are where we have seen the largest growth. They capture the greatest number of customers, and have the greatest potential for future growth, and
- Improving compliance and performance monitoring, and family violence protections for all residential embedded network customers (including those residing in higher-density residential complexes, caravan parks and retirement villages).

STAKEHOLDER QUESTION

- *Is the AER's proposed approach to the exemption framework review the preferred approach? If not, what other factors should the AER consider?*

Active fully supports the scope of the review and sees no other necessary review of other supply arrangements.

5 THE GROWTH IN EMBEDDED NETWORKS

5.1 POTENTIAL FACTORS DRIVING GROWTH

STAKEHOLDER QUESTIONS

› What factors are driving the increase in residential exemptions?

Active believes that the review document has captured the key reasons for the growth in embedded networks.

In noting the growth over the last 6 years, growth in Queensland has been consistent, with the slight uptick in 2022 and 2023 likely reflecting a comparable increase in construction of residential development. Queensland, closely followed by Victoria, was the leader in the implementation of embedded networks in residential premises with an evolved approach to their Body Corporate legislation that ensured the benefits remained in the building.

The billing and pricing process was contained within the Body Corporate and often managed by the Body Corporate Manager with a low-cost fee for service solutions being provided as part of the overall Body Corporate Fee structure.

Over the last 3 – 5 years, there has been a substantial increase in what would commonly be referred to as "Retail" approaches to the management of embedded networks that reflected changes in the operational structures of Body Corporate Management and an increased awareness amongst developers of the potential benefits to the building and construction process and costs of embedded networks as well as the increased adoption of centralised services for hot water and air-conditioning.

The "overwhelming" growth of embedded networks in NSW may predominantly be a factor of "catch up" as NSW was well behind Queensland and Victoria in the adoption of embedded networks. This growth would also have been supported by an increase in the construction of much larger buildings, with larger buildings more likely to deliver cost-effective embedded networks and represent a much greater potential for cost reduction.

› Which factors are having the biggest influence?

It is difficult to separate which are the most influential factors driving the growth. If pressed, the single most important factor is the first one listed, which is the substantial growth in higher-density apartment and townhouse living. Without this growth, the market would not exist.

An embedded network operator's willingness to invest in renewable generation and sustainability initiatives as well as providing solutions for emerging technologies such as EV Charging will also be a contributing factor. This level of willingness is less likely to be present in the LNSP & Authorised Retailer segments.

That being said, the real drivers of the inclusion of embedded networks in these buildings are those that follow this first point.

Changing Business Models:

It is accurate to state that the inclusion of embedded networks can reduce overhead costs in construction. However, it is not accurate to state that the developer will reduce costs through the "*outsource (of) the wiring infrastructure to an embedded network service provider and there is no requirement to ensure each premises is wired to the local network service provider.*"

The inclusion of a Parent Meter to receive the supply from the LNSP represents only a nominal cost reduction to the Developer. The changes to the design and construction of the building's Main Switchboard (MSB) to incorporate an embedded network are minimal and the wiring infrastructure to the MSB and beyond to apartment meter panels and then through common property to the apartment switchboards are consistent with an LNSP connected building.

It would also be rare, if not unheard of, for this service component to be outsourced to an embedded network service provider (ENSP).

What is consistent across embedded networks in relation to electrical infrastructure is the supply and installation of metering. The metering is supplied and installed by the ENSP, to the standards mandated under the regulations for exemptions and AEMO's metrology procedures.

Depending on the Local Network Service Provider (LNSP), this can represent a cost saving to the construction through the removal of the connection costs charged by the LNSP for the metering installation. Again, the cost saving to the Developer from the removal of the metering cost is small in comparison to the overall construction costs.

It is absolutely correct to suggest that an ENSP will be more efficient and accommodating in meter installation timeframes than the LNSP and this will aid in construction timeframes.

What is not highlighted in this factor, although somewhat covered in the next point, is the additional infrastructure requirements that can be provided by an ENSP to support the construction costs.

Whilst these are traditionally more related to Hot Water and Chilled Water services that are not covered by this review, within the scope of this review are the increased requirements for larger buildings to require private High Voltage (HV) Networks. This approach is increasingly common in Queensland with Energex making this a requirement for developments above 5MVA.

Active notes that, anecdotally at least, the potential breaching of the generally expressed prohibition on payments to secure the rights to an embedded network in clause 4.7.1.1 (b) of the current NSP Registration Exemption Guideline Version 6, March 2018. Whilst the clause may relate specifically to the appointment of an ENM, it has been understood to also limit the capacity of large value payments to Developers by ENSP's. Clarification of the clause and using it to limit contributions unrelated specifically to embedded network hardware would potentially aid in ensuring that the benefits of the embedded network were flowing to the building.

A last point in this factor would be that whilst it is increasingly common for ENO's to market their businesses across all sectors, including Developers, it is rare for existing (Brownfield) residential buildings to retrofit their building into an Embedded network. Active expects that there will be a gradual increase in the number of Brownfield Residential conversions as the need to take advantage of the benefits that embedded networks provide to the introduction of sustainable solutions such as on-site generation with solar, EV Charging and the electrification of centralised services such as hot water, the current AER requirement of 85% is challenging in residential complexes, particularly those with higher levels of tenanted premises.

Active notes that Brownfield Conversions are not unusual in commercial environments such as shopping centres and industrial estates, where the advantages of the embedded network for sustainable inclusions and pricing benefits can be more readily explained.

New Services:

Embedded networks are unquestionably the most effective electrical infrastructure solution to facilitate sustainable solutions. The design allows for much larger solar arrays to be installed to increase renewable energy generation and for a much more effective utilisation of battery and storage solutions. When limited just to Common Property Public Light & Power (PL&P) the capacity of a building to develop a greener, more sustainable, footprint is severely curtailed.

Embedded Networks also provide the best solution for off-site renewable generation, These sites provide larger load volume allowing the EENSP to invest longer term in renewable energy generation infrastructure.

Developers are certainly understanding, and reacting to, the sustainability demands of their future Lot Owners and Tenants, and recognising that the lowest possible carbon footprint is becoming a cost of entry, rather than a nice to have.

As Developers and Main Contractors (Builders) seek to achieve a minimum 5 GreenStar rating from the Green Building Council of Australia (GBCA) only sophisticated embedded network structures and overall total metering and sub-metering design can deliver the reporting benchmarks required. These sophisticated designs also reduce reliance on sub-metering and multiple service providers for data collection and reporting.

Many buildings are now also looking for certification under schemes such as Climate Active and the National Construction Code (NCC) and other State and Federal building compliance requirements such as 7-star NatHERS and NABERS are much more difficult to comply with in total in multi-tenanted environments that are not embedded networks.

The NCC requirements for Electric Vehicle (EV) Charging are also more straightforward to manage in embedded networks. Cost recovery of the building's electricity consumed in the charging process is a simple example of this however of greater relevance is the capacity of an embedded network to understand the complexity of the building's Maximum Demand versus Actual Demand.

Embedded Networks understand the totality of building consumption and are better able to utilise Load Management Systems (LMS) to ensure safe and effective electricity distribution for EV Charging.

Embedded Networks in the fully electrified buildings of the future, and those already in existence, will more effectively manage Demand Events. The building of the future will accommodate the very best of small microgrid advantages, able to utilise its connected infrastructure and technology to keep the building safe and operable as the grid experiences a greater number of demand events relating to the increased requirement for electricity, compounded by the ageing infrastructure and technology within the grid.

Development of Specialist Compliance business models.

Active does not consider this to be a factor in the increase in embedded networks.

Network Tariff Arrangements

The financial structure that you outline in this factor is essentially correct. There are advantages available from the bulk purchase of electricity resulting in a reduced energy cost and there are advantages arising from the applicable tariff at the Parent Meter point having the capacity to provide a level of network arbitrage.

These two (2) factors combined are the key elements of embedded network viability.

The question of whether the benefit of these elements is being passed on is the key question that the review should be focussing on. As we indicated earlier in this document, there are likely some ENSP's that take advantage of the embedded network solution to generate large returns from customer pricing.

Increased Service Provider Awareness

Active believes that there may have been an increase in the registration of embedded networks throughout the back end of 2017 and through 2018 as increased regulatory compliance requirements came into effect for Power of Choice and Ombudsman membership, particularly in Queensland, however, we would believe that the growth after that point is more reflective of the earlier factors.

› How common is it for new embedded networks to be built as embedded networks?

Active does not have specific data on building approvals versus the registration of embedded networks and the timing of these items will likely skew the results. The likelihood of an embedded network is also restricted to developments of a certain number of lots, which will further impact obtaining specific data.

Anecdotally, it would be fair to suggest that the majority of new developments that meet the size and utility needs requirements to justify the implementation of an embedded network, would be being constructed as embedded networks.

6 BENEFITS AND HARMS OF EMBEDDED NETWORKS

6.1.1 LOWER ENERGY PRICES

The opening line of this section is the critical point to focus on in the review.

"Embedded networks have the potential for customers to receive lower energy prices."

Although the current and long-term benefits that embedded network infrastructure represents to the sustainable building of the future, the long-standing specific benefit of an embedded network is its capacity to deliver lower than market average utility pricing to consumers living in the building.

In the right environment and when correctly operated, it is entirely possible for residents within a correctly managed and operated embedded network to enjoy competitive to-market (or better) energy pricing.

When the ENSP is a Fee for Service Provider and their role is to act in the best interests of the building and operational control of the network is provided to the Owners Corporation to allow them to determine what is in the best interests of the building which is, almost without exception, to deliver lower priced electricity, pricing can be more than competitive. This is often balanced with upgraded and more efficient plant infrastructure and other items that improve amenities for residents and lower costs to the Lot Owners in building improvements and maintenance. With sustainably lower pricing than the market, the embedded network also provides better access to renewable electricity, solar and storage solutions.

The reason for this, and previous AER reviews of the exemption framework, and the recent jurisdictional reviews in NSW and Victoria, are a direct result of the predatory pricing behaviour of some ENSP's, and some Authorised Retailers, who operate the embedded network to their financial benefit and not to the benefit of the building.

Sadly, the net result of this predatory behaviour is for the regulatory environment at a state and federal level to constrain all networks for the poor behaviour of a few.

The straightforward correction to this anomaly as has been referenced earlier and will be discussed in more detail later, is to enhance the options for Power of Choice. Predatory pricing behaviour will cease as soon as the capacity to exit the network is better enabled.

To the second bullet point of the lower energy prices section, Active does not support the premise that reduced compliance obligations create lower operating costs. The requisite compliance currently is not dissimilar in many respects to that experienced by an Authorised Retailer. Active, as an example, applies the same level of compliance to all customers as an Authorised Retailer and where the ENSP registered is an Owners Corporation or similar building ownership structure, ensures that these responsibilities are correctly managed on their behalf.

6.1.2 ACCESS TOR RENEWABLE ENERGY AND INNOVATIVE ENERGY SERVICES

As discussed in detail in the previous topic, this is a critical advantage of embedded network infrastructure.

6.1.3 POTENTIAL EXTERNAL IMPACTS – HOUSING DEVELOPMENT

This specific point has become increasingly relevant in late 2023 and will continue to be a major factor in the coming years.

Construction costs have escalated alarmingly, and it is becoming increasingly difficult for Developers to construct residential complexes at a price for which they can then deliver stock to the market at an affordable price. Many projects across the country are on hold or have been cancelled due to this inability to be able to deliver a finished product at an affordable price, which is then delaying pre-sale and project financing.

Following the international trend, the rising cost of construction has seen dramatic growth in the number of Build to Rent (BTR) developments emerging in Australia. Unfortunately, the

ongoing rise in construction costs is reducing even the rental return viability and this puts further pressure on the housing market across the board.

The capacity of the ENSP to fund elements of the infrastructure can be the difference between a site progressing or not. Active already has multiple live examples of substantial infrastructure assistance being provided whilst still ensuring fair, market pricing for residents.

When all stakeholders work collaboratively towards a single outcome, in a model such as Active's there is always the capacity to ensure that all benefit equally from the arrangement.

STAKEHOLDER QUESTIONS

› How do infrastructure costs for new developments built as embedded networks compare to non-embedded networks?

As discussed in the early stages of this document, there is no discernible electrical infrastructure construction cost differential between an embedded network and an LNSP-connected building. Each must be constructed according to the installation rules of the responsible jurisdiction.

The infrastructure advantages come from other construction components such as EV Charging facilities, on-site renewable energy generation, hot water, and chilled water plants.

› How do higher-density complexes configured as embedded networks benefit residential buyers?

1. *On-site renewable energy generation*

Sites constructed as embedded networks have a greater capacity to include higher volume generation and this increased generation capacity is used to reduce consumption from the grid, lowering overall electricity supply costs and creating greater margins in operating activities for the further reduction in pricing for all residents, whereas in LNSP connected buildings this is normally restricted to the common property energy supply. Individual residents in LNSP-connected buildings have a limited capacity to access solar solutions, even when they have access to available roof space, which can also be rare.

2. *Common Property Public Light & Power (PL&P) Cost Reduction*

In Active embedded networks, PL&P energy costs are passed through to the Owners Corporation at the same price that the energy is acquired from the FRMP at the Parent Meter. This has the overall effect of reducing the cost to the building for running essential and non-essential services.

The costs of these services are passed on to Lot Owners through their annual fee levies and in an embedded network, this cost is reduced, reducing the overall cost of living in the building.

3. Lower cost infrastructure upgrades.

As with new (Greenfield) construction, existing buildings with embedded networks can benefit substantially from the capacity to upgrade electrical infrastructure for things such as EV Charging, solar PV installation behind the meter delivering free electricity into the network, and conversion from gas fired centralised hot water to electric heat pump. With the support of a partner such as Active, not only can these resources be accessed at a lower cost, but the funding can be managed more efficiently, reducing costs on Lot Owners. For Lot Owners who are investors, increased building costs are likely to be recovered through rental increases placing further pressure on housing affordability.

4. Revenue Potential

In some embedded network scenarios, not all the revenue potential to the Owners Corporation needs to be used for rate reduction. It is possible to configure a pricing arrangement that delivers market pricing ***and*** allows the Owners Corporation to retain a percentage of the funds (where permitted under Body Corporate legislation) to be allocated to the building's sinking fund account. These funds can then be used for infrastructure upgrades and maintenance activities, further reducing the pressure on Lot Owner fee levies.

› What kind of innovative and emissions reduction arrangements can embedded networks offer residential customers?

› What other benefits are there for residential embedded network customers?

A unique feature of the Active approach, and one that we believe should be the standard in the industry, is that our model provides the building with control over the utility supply in the building.

They get to determine the strategic objectives when it comes to energy and infrastructure. They are not subject to the requirements of an Authorised Retailer or LNSP and can make sensible "whole of building" decisions that are in the best interests of the community that makes up the building.

They are provided with choice and flexibility well beyond the constraints of the grid.

› How should we consider any consequential benefits such as improved access to affordable housing in this review?

As discussed earlier, we believe that sensibly planned embedded networks offer real benefits to Developers in construction costs which helps to translate into more affordable residential properties of better quality, with greater sustainability elements.

From the point of view of affordable housing provided by the Government or other providers to support the less fortunate in the community, embedded networks offer a genuine potential to provide financial support and energy security in a way not possible for a unit connected to the LNSP and serviced by an Authorised Retailer.

The AER would note the jurisdictional review in Victoria that led to the delivery of the General Exemption Order (GEO) 2022. Whilst widely marketed and perceived as a "ban" on embedded networks, the reality is quite different.

The GEO 2022 did place some sensible renewable energy requirements on new embedded networks (those registered after January 1st, 2023) and changed the terminology from Embedded Network to Local Energy Network but, in essence, the continued growth of Local Energy Networks has been unaffected.

Of relevance is the Media Release issued by the Victorian Minister for Housing, Water & Equality, The Honourable Harriet Shing MP and supported by the Premier, the Honourable Jacinta Allen MP, on November 27, 2023, which is attached as Attachment A.

The relevant information is below:

DRIVING DOWN POWER BILLS FOR SOCIAL HOUSING RESIDENTS

"The Allan Labor Government is partnering with Local Energy Networks (LEN) to help drive down power bills for social housing residents and reduce Victoria's carbon footprint."

And further:

"The average energy bill for social housing renters will come down by $400 per year compared to the current Victorian Default Offer, through on-site power from solar PV and renewable energy from the grid."

When the same government that initially sought to ban embedded networks then promotes the very specific advantages to those needing support, it is clear that the potential benefits far outweigh the potential harms when the network is designed and regulated to a specific standard.

Furthermore, in any embedded network where the building controls its destiny when it comes to supply, and particularly in social housing as expressed above, vulnerable customers can be even further protected from supply restrictions. Whilst any de-energisation can only be a matter of last resort, and embedded networks are subject to the same customer protections for hardship and family violence as Authorised Retailers, when the building controls the network, as the Victorian Government does in the case cited above, vulnerable customers are even further protected.

6.2 POTENTIAL HARMS

6.2.1 LACK OF ACCESS TO RETAIL COMPETITION & HIGH ENERGY PRICES

ELECTRICITY

The context relating to customers in embedded networks having limited access to retail competition and competitive market forces to put downward pressure on prices also requires an important clarification, particularly in relation to the Authorised Retailer's stated position in your document that "they are unwilling to make "energy only" offers to consumers

in embedded networks because it is not in their commercial interests to do so or because their systems and processes cannot facilitate "energy only" contracts."

In preparing this submission, Active reviewed the AEMC Final Rule Determination National Electricity Amendment (Embedded Networks) Rule 2015 that structured the Power of Choice rules for Embedded Network customers. Taking effect in December 2017, the rule introduced the role of the AEMO Accredited Embedded Network Manager (ENM) to facilitate the movement of off-market child meters to on-market child meters.

Under this rule change, which was notably supported by most Tier 1 Authorised Retailers who made submissions, and the Conditions of the Australian Energy Regulator (AER) Network and Retail Exemptions, electrical embedded networks must, where required, noting grandfathered provisions for certain main switchboard, meter panel and metering configurations, appoint an AEMO Accredited Embedded Network Manager (ENM) to facilitate Power of Choice to an Electricity Retailer. Embedded Network Operators (ENOs) work with Retailers and ENMs regularly to facilitate the movement of off-market customers to on-market.

ENO's themselves do not place any restrictions on any sized customer accessing an Authorised Retailer of their choice. To do so would place them in breach of their regulatory obligations and any breach of this requirement should come with a penalty.

The difficulty that small customers face in going on-market is most often the result of their preferred Retailer refusing to provide them with an "energy only" quotation as required under the regulations. The argument that this is a combination of both internal systems at the Retailer and also some additional market system constraints is not completely accurate and should not be accepted. As we discussed earlier, the inclusion of NUoS agreements would further simplify the process of Power of Choice.

Active has over 500 on-market child customers within our embedded networks nationally. Whilst this is more common with Large Customers it is also possible with small customers and Active has worked with Authorised Retailers to put small customers on-market, including with one Retailer who also accepted network invoicing from Active to allow the customer a single bill scenario. This last point is important as the refusal by the Retailer to offer "energy only" pricing also extends to a refusal to accept network charges from the ENO making the provision of fully bundled bills to small customers unavailable.

For absolute clarity, this issue does not sit with the compliant embedded network but with the Authorised Retailer. The AEMC's very accurate assessment of the change was for this rule introduction to immediately force prices down in embedded networks as they would need to compete. The rule change encouraged the AER and state jurisdictions to set their regulatory frameworks to facilitate this.

As we acknowledged earlier, Active understands that the AER does not have the power to compel Authorised Retailers to offer specific products in the market, however, if our earlier recommendation regarding publishing authorised retailers happy to make offers to

embedded network customers were adopted, we believe the price risk to consumers in embedded networks would quickly evaporate.

Active would question the validity of the comment that the AER is aware of "industry practices that exploit customers' lack of retail access to lock in higher prices, such as property developers requiring the relevant owners' corporation to sign a long-term uncompetitive electricity contract, which prevents them acquiring lower priced electricity."

Whilst Active acknowledges that there are contract lengths that the Developer binds the Owners Corporation to that are longer than necessary, these would be for the operation of the embedded network and not for the wholesale supply of electricity into the embedded network at the Parent Meter. There is no value to any party in the arrangement of long-term, high energy supply costs.

Much is made of the absence of a National Meter Identifier (NMI) when it comes to customers researching market offers, however, it is entirely reasonable and possible to enter an address or postcode that matches that of the embedded network and determine an LNSP distribution area to see available offers in the area. The Energy Made Easy website could also include a simple addition for customers in embedded networks that facilitates this search.

Price Cap Protections.

In the NECF, the price cap applied to embedded networks is the Standing Offer of the Retailer of Last Resort (ROLR) for the LNSP area. There is a misconception amongst many stakeholders that the Default Market Offer (DMO) is the price cap for embedded networks.

There is also much confusion amongst stakeholders and the customers impacted about what the DMO actually is, versus what they think it is. The DMO is the Standing Offer as represented by a market average small customer consumption of 4,000 kWh annually and that calculation is used to define the maximum amount a customer exactly fitting that criteria would expect to pay. There is also additional confusion regarding Market Retail Contracts and Standard Retail contracts etc, which creates more uncertainty in the consumer's mind.

AN ENSP properly acting under an approved AER Retail Exemption must abide by the price cap. By Definition, an Authorised Retailer, who is not required to hold a Retail Exemption under the current rules, is not acting as an ENSP, but as an Authorised Retailer regardless of the fact that their customers are contained within an embedded network and have limited access to Power of Choice and are not constrained in the same manner providing a regulatory compliant loophole to overcharge.

Therefore, it would be entirely reasonable to require them to be compliant in every respect to the conditions of their Retailer Authorisation. Active notes that except for the removal of the requirement of an Authorised Retailer to include an NMI on a customer bill under the Better Bills guidelines, all other regulatory compliance requirements are the same. This would include the Standing Offer as the price cap.

Alternatively, as we suggested earlier, Authorised retailers could also be required to obtain a form of Retail Exemption to ensure that their pricing obligations were equally controlled.

Customer Concessions

Active has long argued that a Retailer Authorisation should not be the determinant of the capacity to provide customers with access to grants and concessions that are available to customers outside of embedded networks. The removal of this restricted access would provide substantial benefits to vulnerable customers.

Guaranteed Service Levels (GSL's)

The premise of GSL's is complex inside an embedded network. This is because the matters arising that trigger a GSL all happen outside the network. Whilst GSL's are not triggered often and the value of these is generally nominal, there is little financial benefit to customers inside the network of any payment made at the Parent Meter.

That being said, it is not unreasonable to consider the development of a series of GSL standards suitable to the fault and maintenance nature of an embedded network to ensure sufficient compensation for poor energy reliability inside a building.

6.2.2 LIMITED CONSUMER PROTECTIONS

RoLR Events

The potential impact of a RoLR event occurring in the event of a seller or supplier's failure is overstated.

Where the seller or supplier is not an Authorised Retailer, their failure does not equate to the failure or cessation of supply. Most ENSP's and many Authorised Retailers have a supply agreement with a Financially Responsible Market Participant (FRMP) at the Parent Meter. There may be delays in the Owners Corporation sourcing billing and collection services from another supplier or seller, but there would be no interruption to the supply. Proper negotiations with the FRMP at the Parent Meter and a concerted effort on the part of the OC would see normal operations resume with no noticeable impact on the customer.

Were the FRMP at the Parent Meter to experience a RoLR event, supply would continue under the RoLR scheme with no impact on customers whilst the ENSP seller renegotiated supply agreements with a new FRMP or the RoLR.

Administrative Capacity

If an exempt entity does not have the administrative capacity to ensure that the basics of hardship/payment difficulties and life support are not met, they should not be operating the embedded network. If this is the case, the exemptions covering the site should be suspended pending the appointment of a competent entity to take over the site billing and that entity's right to operate be removed until they have the capacity to meet their compliance obligations.

6.2.3 LIMITED COMPLIANCE FRAMEWORK

Active has already stated that we support the treatment of exempt entities to exactly the same standard as Authorised Retailers. Whilst we note the limited capacity of the AER to require compliance reporting to the same standard as an Authorised Retailer this in and of itself should not be a sufficient rationale to not ensure that the consumer protections for customers do not vary from those connected to the grid.

The inability of an exempt entity to administratively manage these compliance requirements should also not be a factor in consumer protection. If you cannot fulfil the responsibilities, you should not be seeking to perform the role.

In a very real sense, the compliance requirements in embedded networks are not substantially divergent from those of Authorised Retailers as they stand. Active notes the recent increased protections for payment difficulties and hardship, as well as the rules around de-energisation and other critical elements are all consistent with Authorised Retailers. What little divergence there is does not represent genuine potential for harm.

6.2.4 OTHER POTENTIAL HARMS

Rejection of request to install appliances.

Whilst the submission provided by this customer to the AEMC review in 2017 may have occurred, the situation in and of itself is not exclusive to a building with an embedded network. All multi-tenanted complexes (and most standalone residences) have supply restrictions that may preclude the addition of high-usage elements. This could be related to the apartment's internal wiring and electrical protections as well as to the Maximum Demand limit for the total building.

Embedded Networks in and of themselves have no objection to the installation of equipment that increases a customer's usage of electricity, it would be financially irresponsible to do so.

The inability to install electrical services such as heat pump hot water, induction cooktops and EV charging is a direct result of the building's supply arrangements and the age of the electrical infrastructure will be an increasing challenge in all buildings as electrification proceeds.

Safety Issues

The risks to unqualified and unauthorised personnel from electrical installations are no greater in an embedded network than in any other building. If the site is constructed to the applicable state and LNSP Service Installation rules there should be no issues. If it is not compliant, then the issue is not that it is an embedded network but an unsafe installation and this should be addressed by the relevant authorities in the jurisdiction.

Customer Information

Active fully supports the requirement of information provision to all residents that details the specifics of the embedded network. The exemption guideline should be updated to require this of Developers, ENSP's (including Authorised Retailers), Landlords and Letting Agents.

Network Arbitrage

As raised earlier, the potential for network arbitrage is a key element in lowering pricing to customers within embedded networks.

The premise that this is in some way a cross-subsidisation from non-embedded networks is spurious and has already been questioned by the AER on two separate occasions in respect of the Ausgrid and Endeavour Energy submissions to remove network tariffs. The AER has on both occasions noted that this would result in unsustainable price increases to those customers inside the embedded network and the LNSP's on all occasions failed to provide sufficient evidence to suggest that a single large customer paying all the associated network costs represented a penalty to other consumers, only an assertion that it reduced potential revenue to the LNSP.

STAKEHOLDER QUESTIONS

- What is the evidence that supports the view that embedded network customers are paying higher energy prices compared to on-market retail customers?

There is insufficient verifiable data to support this belief. None of the Federal or jurisdictional reviews has presented statistically viable evidence to support this premise. Much has been made of anecdotal evidence gleaned from a small number of consumers relative to the size of the customer base with embedded networks. As stated earlier, IPART advised that they had only received 80 responses from consumers to their pricing review, out of a potential universe of over 140,000 customers.

There are approximately 18 – 26 Authorised Retailers available on the Energy Made Easy Website, depending on the LNSP area, each of which has multiple plans available with pricing ranging from a Standing Offer to a market-level discount to the DMO. This would immediately suggest that there are customers in grid-connected buildings who are paying more for their electricity than others. This potential exists within embedded networks as well based on available retail offers and distribution zones.

Based on this, there is a substantial likelihood that there are customers in embedded networks with exceptionally competitive pricing and there are others that may be closer to the standing offer price cap. This variation is no more than a reflection of the retail market.

Whilst acknowledging the limitation placed on Power of Choice through Authorised Retailers not making provisions for embedded network customers to freely access competition, that is not a sufficiently powerful premise to suggest that customers are being consistently overcharged. Particularly when there is a regulated price cap in place to ensure that customers cannot be gouged due to their limited competition ability.

Our own pricing information provided earlier is clear evidence that in a properly managed embedded network, customers are fairly priced.

- What evidence is available to understand the scale, extent, or risk of harm?

In reviewing our responses to the identified potential harms in the previous pages, Active would also consider that the potential scale of the harm issue is also overstated in line with the views on pricing. There is little, if any, statistical evidence apart from consumer sentiment, to suggest that consumers are at greater risk of harm in an embedded network versus a grid-connected building.

As with our view on pricing which does not preclude predatory approaches from some participants, this does not also mean that every customer is safe from harm. We believe that it is important to ensure that any potential harms are minimised but to not penalise an entire segment of the industry for the poor behaviour of some participants.

- How can we maximise the extent to which any changes to our Guidelines complement the jurisdictional actions and minimise the risk of misalignment or duplication?

The variation from jurisdiction to jurisdiction already presents a challenging, but not unmanageable, compliance scenario. In many respects, this is true of the jurisdictional variations in the retail market.

A concordance of the State-based Energy Ministers, at perhaps a National Cabinet level as existed in the original COAG days would help to ensure that there is a level of consistency applied. This may have perhaps limited the recent IPART response to the NSW Inquiry which has resulted in the potential for several serious unintended consequences although coming from the same baseline objective of consumer protection.

As we have reiterated many times, the key to removing consumer harms from pricing lies with Authorised Retailers making offers to small customers as they do for large customers. The introduction of retail competition will level the playing field whilst maintaining the structural (and infrastructural) advantages represented by embedded networks.

7 POTENTIAL OPTIONS UNDER THE NETWORK GUIDELINE

7.1 INCREASING TRANSPARENCY

STAKEHOLDER QUESTIONS

- What are the risks to embedded network service providers, prospective exempt sellers, customers and other relevant third parties if we require currently deemed exemptions to be registered? How could any risks be mitigated?

Under the current process for registering an exemption, the risks of closing ND2 and having those entities apply for an NR2 are minimal. We acknowledge that in these smaller networks, the process of meter reading, customer billing & collections etc. may be managed by smaller operators, particularly when you consider caravan parks and other similar living arrangements.

That being said, a similar operator with more than 10 customers, even 11 or 12 is required to register for NR2, so the capacity exists for this within this segment of the industry.

However, the likelihood of customers in these environments being overcharged or at higher risk of harm would seem to be low and it may be an overkill when the larger population in embedded networks would already be registered as NR2.

Recommendation:
Active believes that the current R2 and NR2 starting point of "10 or more" is no longer reflective of the true nature of residential embedded networks. Putting aside the smaller networks that are traditionally covered under the Deemed process, it is uncommon to find financially effective small, embedded networks. The size of these will vary depending on the Distribution Zone and wholesale market pricing at any given time, however, Active believes that there would be merit in considering splitting R2 & NR2 into categories of small and large.

This would provide a sensible landing spot for the currently deemed sites and allow more transparency for the AER in identifying where the majority of price and other potential harms lie.

This number may be arbitrary and open to debate from other stakeholders but a split of up to 50 lots and 50 plus lots for small and large would be a good starting point.

- How should we measure the benefits to consumers of registration?

Unless there is evidence of substantial harms and price abuse in ND2 we are not certain that any measurement of customer benefit would be obtainable.

7.2 CONFIRMING BENEFITS AND LIMITING HARMS

7.2.1 OPTION 2 REVISE NR2 REGISTRABLE NETWORK EXEMPTION CLASS CRITERIA

Before responding to the specific questions, Active wanted to highlight an inaccuracy in the description of the Victorian Government requirements under the General Exemption Order 2022.

Under the GEO 2022, for any new embedded network registered after January 1, 2023, there is a requirement that the site contains on-site renewable generation to achieve a minimum of 5% of ***residential*** consumption (not including common property Public Light & Power) with the remaining minimum 95% of ***residential*** consumption to be renewable energy from the gird.

The Essential Services Commission (ESC) has included additional questions in the initial exemption application and now requires annual reporting on these matters to be supplied.

STAKEHOLDER QUESTIONS

- What are the risks and implications for embedded network service providers, prospective exempt sellers, customers and other relevant third parties if we revised the NR2 registrable network class exemption activity criteria to include prescribed customer benefits that must be met by NR2 registrable network class exemption holders? How could the risks be mitigated?

There are none. We have met these revised criteria in Victoria for our new embedded networks in that state with no change in our approach.

- If we were to prescribe a list of specific embedded network customer benefits, what could be included?

If the issue of Authorised Retailers making offers to small customers in embedded networks is resolved, then the specific benefit should be a price benefit. Establishing what this looks like to a realistic level and in concord with the Owners Corporation strategic requirements for the building will take substantial work, however, consideration could be given to requiring a discount to DMO as a prerequisite. i.e.: If you are a customer within an EN you must receive a minimum of x% of the published maximum price cap for your distribution zone.

- What other regulatory approaches would enable the AER to ensure future embedded networks are beneficial to customers?

The primary issue remains access to Power of Choice and the other items we have detailed above. We do not see that there are any other necessary considerations.

7.2.2 OPTION 2 – AER ASSESSMENT OF ALL NR2 REGISTRABLE NETWORK CLASS EXEMPTIONS

Active does not consider this option to be viable irrespective of its impact on the AER from a compliance management point of view.

Embedded network viability self-selects itself in most instances. The combination of lot numbers, distribution zone, applicable network tariff, wholesale energy pricing and retail energy price caps amongst other relevant details all together determine the potential viability of an embedded network.

Additionally, constantly evolving technology solutions for sustainable products, metering and reporting requirements for emissions accreditation and so on would make keeping pace with this evolutionary change an onerous compliance burden on the AER and reduce the capacity for some essential developments to proceed.

7.3 LIMITING FUTURE EXEMPTIONS

7.3.1 OPTION 4 - CLOSE NR2 TO FUTURE REGISTRATIONS

STAKEHOLDER QUESTIONS

- What support is there to stop the expansion of residential embedded networks by closing the NR2 registrable network exemption class?

Active does not support this option. We once again reiterate that the correction of the one specific issue preventing Power of Choice will remove all issues related to the installation of embedded networks.

8 POTENTIAL OPTIONS UNDER THE RETAIL GUIDELINES

Active wholly supports the introduction of mandatory compliance, performance and breach reporting to a standard required of an Authorised Retailer.

Active also supports the extension of the Family Violence provisions to the same standard required of Authorised Retailers.

APPENDIX A

MEDIA RELEASE - DRIVING DOWN POWER BILLS FOR SOCIAL HOUSING RESIDENTS

Media Release

The Hon Harriet Shing MP
Minister for Housing
Minister for Water
Minister for Equality

VICTORIA State Government

Monday, 27 November 2023

DRIVING DOWN POWER BILLS FOR SOCIAL HOUSING RESIDENTS

The Allan Labor Government is partnering with Local Energy Networks (LEN) to help drive down power bills for social housing residents and reduce Victoria's carbon footprint.

Minister for Housing Harriet Shing and Member for Essendon Danny Pearson today visited one of five sites in Ascot Vale to announce Homes Victoria has partnered with LEN operator Energy On to give renters living in social housing the best energy deal in the market.

The nation-leading initiative prioritises consumer fairness and support for residents facing cost of living pressures.

The average energy bill for social housing renters will come down by $400 per year compared to the current Victorian Default Offer, through on site power from solar PV and renewable energy from the grid.

LENs are also being rolled out at fully electric and energy efficient new social and affordable housing sites in Ashburton, Heidelberg West, Hawthorn, and North Richmond.

Homes Victoria will manage each site-specific network that supplies electricity and hot water, using 100 per cent renewable energy that aligns with the Labor Government's net-zero commitments.

Through the Big Housing Build, the landmark Housing Statement and the partnership with Energy On, this energy deal will benefit more than 1000 households – including 111 public housing, 415 community housing and 484 affordable tenancies.

This program adds to the $112 million Energy Efficiency in Social Housing Program which is providing cost and energy efficient upgrades for thousands of public, community and Aboriginal housing properties.

New Big Housing Build homes will meet the highest environmental design benchmarks and include a minimum average 7-star NatHERS energy efficiency standard, ensuring they are cheaper to heat and cool.

The historic $5.3 billion Big Housing Build is boosting Victoria's social housing supply by 10 per cent. Since it began, more than 7,600 homes have been started and more than 3,000 homes are already complete.

Quotes attributable to Minister for Housing Harriet Shing

"We know that energy costs are affecting Victorians and this is about reducing costs for social housing residents while making their homes more comfortable year-round."

"We're ensuring social housing properties are cooler in summer and warmer in winter, helping to protect the health of residents living in them."

Quote attributable to Member for Essendon Danny Pearson

"Dunlop Avenue is a Big Housing Build success story providing quality homes for families in Ascot Vale – and it's doing that with 7-star energy efficiency and lower bills through the Local Energy Network."