

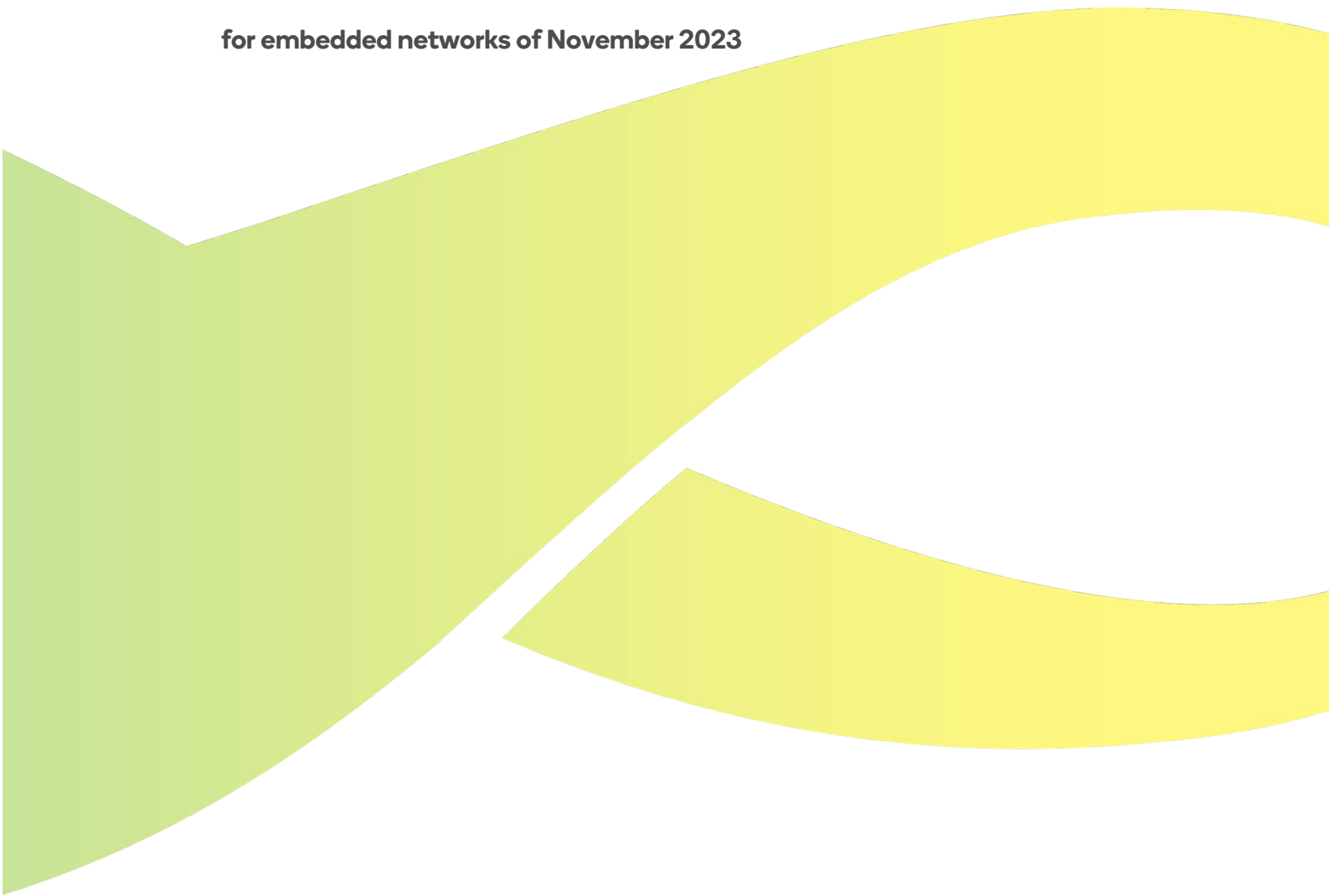
**altogether.**

# Consultation Submission

Review of the AER

exemptions framework

for embedded networks of November 2023



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## 1 Introduction

### 1.1 An introduction to the Altogether Group.

The Altogether Group, initially known as Flow Systems, has been a significant player in the embedded network market since its strategic entry in 2015. This venture commenced with an incident in Newcastle, NSW, where an Owners Corporation was found to be operating an embedded network without the necessary exemption, as identified by the Australian Energy Regulator (AER). Flow Systems intervened to address this compliance issue, marking the beginning of its substantial journey in this sector.

After consultations with the AER, Flow Systems recognised the limitations of the exemption schemes for large-scale energy sales activities. Eager to expand the regulator's positive influence and enhance consumer protections, Flow Systems transitioned to become an Authorised Retailer. This strategic move was further solidified by acquiring Meter 2 Cash Solutions, a prominent embedded network billing service provider in Queensland, bringing approximately 50,000 embedded network customers under its umbrella. This expansion significantly broadened their scope of consumer protection efforts.

This experience underscored the pivotal role of regulatory bodies like the AER in influencing market operations and consumer welfare. Flow Systems' involvement in Newcastle not only exemplified the beneficial impact of regulatory oversight but also shaped its future direction and ethos. The transition to becoming the Altogether Group and the subsequent growth into a leading entity in the embedded network sector highlights their commitment to operational excellence, consumer satisfaction, and stringent adherence to regulatory standards.

As of this writing, the Altogether Group stands as the largest embedded network operator serving as an Authorised Retailer, a status affirmed by the AER's published Schedule 2 Report. This position evidences the growing market demand for operators that exceed standard regulatory compliance to offer enhanced consumer protection and service quality. The Altogether Group's evolution from a regulatory compliance assistant in Newcastle to a market leader in the embedded network sector demonstrates their dedication to driving positive change and continually enhancing the consumer experience in the energy sector.

### 1.2 Overview of the submission and its purpose.

This submission, presented by the Altogether Group, aims to contribute constructively to the Australian Energy Regulator's (AER) review of the exemption's framework for embedded networks.

Our purpose is twofold:

- to share evidence-based insights from our extensive experience in the embedded network sector,
- to respond, initially briefly in section 2, to the questions asked of stakeholders in the consultation paper, and
- to respond more thoroughly, where we believe we can add the most value.

As an organisation that has navigated the complexities of the embedded network market and emerged as a leader in providing consumer-focused energy solutions, the Altogether Group is uniquely positioned to offer valuable perspectives. Our journey, from assisting a single Owners Corporation to becoming one of the largest specialised Authorised Retailer in the embedded network space, has equipped us with a deep understanding of the operational, consumer, and regulatory dimensions of this sector.

The core objectives of our submission are:

1. **To Highlight the Importance of Regulatory Adaptability:** We aim to emphasise the need for a regulatory framework that is adaptable and responsive to the changing dynamics of the energy market. The current exemption schemes, while foundational, require refinement to better serve consumer interests more effectively, without limited the innovation opportunities that are uniquely suited to community owned networks.
2. **To Advocate for Enhanced Consumer Protections:** Drawing from our experience, we propose enhancements to consumer protections within the embedded network framework. Our focus is on ensuring that consumers within these networks receive equivalent, if not superior, protections and benefits compared to those in traditional energy supply arrangements.
3. **To Support Regulatory and Industry Collaboration:** We advocate for a collaborative approach between the industry and regulatory bodies, believing that such cooperation is essential for developing regulations that are both effective and practicable. Our experience in working closely with regulators has reinforced the value of partnership in achieving positive outcomes for consumers and the market.
4. **To Provide Evidence-Based Statements:** This submission includes specific statements, supported by data from our operations. These statements are designed to enhance the regulatory framework in ways that encourage innovation, efficiency, and consumer empowerment in the embedded network sector.
5. **To Promote Sustainability and Innovation:** As a leader in this field, we are committed to driving sustainable and innovative energy solutions. We aim to highlight how regulatory changes can incentivise environmentally friendly practices and technological advancements within embedded networks.

Through this submission, the Altogether Group seeks to engage in a constructive dialogue with the AER and other stakeholders, sharing our insights and recommendations for the betterment of the embedded network sector. We believe that our contributions can assist in shaping a regulatory environment that is conducive to market growth, consumer protection, and sustainability.



## 2 Brief Response to Questions

In this high-level section, for the readers convenience, we have included a summary of our consolidated response to each question set out in the issues paper.

Question	Consolidated Response
<p>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 case for change to the exemption's framework?</p>	<p>No single factor should be prioritised over others. However, emphasis should be placed on factors aligning with the national electricity objective. Weighting should balance customer affordability and service provider competency, ensuring cost benefits without compromising consumer protections.</p> <p>Consumer benefit has become synonymous with price in various reviews and stakeholders broadly. The Altogether Group consider that consumers benefit when trustworthy and sustainable pricing mechanisms are employed.</p>
<p>2. Is the AER's proposed approach to the exemption framework review the preferred approach? If not, what other factors or criteria should the AER consider?</p>	<p>The Altogether Group values broad stakeholder consultations but recommends the AER also engage in direct consultations with experienced operators for in-depth industry insights. With that said, the Altogether Group is disappointed with some of the more regressive and limited options proposed in this issues paper.</p> <p>Consistent with our advocacy for the national framework, we also believe that the AER should carefully consider the concurrent reviews being conducted in NSW (including by IPART) and in the ACT by the Environment, Planning and Sustainable Development Directorate. We note that the ACT review examined many of the questions currently being considered by the AER and the Directorate's final report is instructive as to the experience within that jurisdiction.</p> <p>We encourage the AER to engage with state-based regulatory bodies in those states that have adopted the national energy customer framework and to work collaboratively with the objective of reducing jurisdictional derogations. Jurisdictional derogations that seek to address a common issue are not an effective approach and ultimately only result in additional costs that could be avoided by a continuation of the national framework.</p>
<p>3. Is our proposed review scope reasonable? If not, what other supply arrangements should be considered and why?</p>	<p>The review scope is reasonable, but its broadness poses risks, such as options to limit future embedded network growth and innovation. Input from entities prioritising legacy distribution business models over consumer interests risk stifling innovation and customer benefit.</p>
<p>4. What factors are driving the increase in residential exemptions?</p>	<p>Growth is driven by developers' demand for ethical embedded networks and exempt sellers improving customer outcomes, fuelled by the potential for greater infrastructure efficiency and lower energy costs.</p> <p>As technology matures to support the efficiency and connectivity of an embedded network customers, communities recognise the value of integrating their systems to maximise their ability to future proof</p>

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	buildings, reduce costs to consumers and reduce the carbon footprint of their built environment, which would be far more impracticable to achieve without embedded network infrastructure.
5. Which factors are having the biggest influence?	Infrastructure investment efficiency and more affordable energy prices are key drivers, making embedded networks increasingly attractive for developers and consumers alike.
6. How common is it for new residential developments to be built as embedded networks?	In Southeast Queensland, embedded networks are generally the default network installation type.
7. How do embedded networks result in lower energy prices for residential customers?	Lower prices result from improved procurement efficiency, regular network tariff optimisation, improved load diversity, and direct energy sharing capabilities within embedded networks and outside of the embedded network. The Altogether Group has submitted pricing data to substantiate this response, in addition to high level “generalised” modelling
8. How do infrastructure costs for new developments built as embedded networks compare to non-embedded networks?	While direct comparisons are challenging due to different infrastructural needs, embedded networks typically have lower project and installation costs and additional infrastructure leading to lower operational expenses.
9. How do higher-density complexes configured as embedded networks benefit residential buyers?	<p>Higher-density complexes configured as embedded networks offer numerous benefits to residential buyers, which can be broadly categorised into cost savings, infrastructure efficiency, and enhanced energy solutions:</p> <p><b>Cost Savings:</b> One of the most significant advantages of embedded networks in higher-density complexes is the potential for reduced energy costs. By aggregating energy demand and purchasing power, embedded networks can negotiate better rates from suppliers, translating to lower energy costs for residents. This is particularly advantageous in multi-dwelling units where shared resources lead to more efficient energy use.</p> <p>Additionally, the differential between residential (intended for Torrens Title lots) and commercial network tariffs provides lower and more cost reflecting network delivery costs.</p> <p><b>Improved Infrastructure Efficiency:</b> Embedded networks allow for more efficient management of energy infrastructure. This efficiency is achieved through centralised control and local distribution, which reduces overall energy wastage. The cost savings from this improved efficiency can be passed on to residents, contributing to lower strata levies and operational costs.</p> <p><b>Innovative Energy Solutions:</b> These networks facilitate innovative energy solutions such as shared solar power systems, battery storage, and smart metering technologies. Such innovations not only contribute to reduced energy bills but also offer residents the opportunity to participate in sustainable energy practices.</p>

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**Energy Sharing and Diversity:** Embedded networks in higher-density complexes enable energy sharing among residents. For instance, energy generated from rooftop solar panels can be distributed within the network, leading to more efficient use of renewable energy and further cost reductions.

**Tailored Services:** Embedded networks often provide tailored services that meet the specific energy needs of a complex. This can include bespoke solutions for heating, cooling, and other utilities, which may not be feasible in individual household setups.

**Customer-Centric Approach:** Well-managed embedded networks place a strong emphasis on customer service and satisfaction. This approach ensures that residents have a say in their energy services, leading to better consumer outcomes.

**Access to Renewable Energy:** Embedded networks often facilitate easier access to renewable energy sources, aligning with growing consumer demand for sustainable living options. This access can be a significant selling point for environmentally conscious buyers.

**Regulatory Compliance and Consumer Protections:** As the regulatory framework evolves, embedded networks are increasingly held to high standards of compliance and consumer protection, ensuring that residents in these complexes receive reliable and fair energy services.

A case study has been provided, please refer to the supporting data section 6.3.

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

Embedded networks allow for the bulk procurement of electricity, which can lead to significant cost savings. These savings can then be strategically reinvested into localised renewable generation assets, such as solar panels, enhancing the sustainability of the apartment complex.

By centralising energy management, embedded networks, in apartment buildings, can achieve economies of scale that individual residents would not be able to access on their own. This model not only reduces energy costs for residents but also supports the transition to greener energy sources by integrating renewable energy more effectively. The cost benefits derived from procuring larger volumes of electricity can be substantial, underpinning investments in renewable energy infrastructure that, in turn, contribute to reducing the carbon footprint of the residential community.

Furthermore, embedded networks facilitate the implementation of advanced energy solutions like battery storage and smart energy management systems, optimising the use of renewable energy and potentially creating new revenue or savings through energy trading and demand response initiatives. This approach aligns with the increasing demand for sustainable and energy-efficient living environments and electric vehicle charging, offering a practical pathway towards decarbonisation within the residential sector.



Investing the savings from bulk energy procurement into renewable generation not only enhances the sustainability profile of apartment buildings but also ensures compliance with evolving regulatory standards and consumer expectations for environmentally responsible housing. Thus, embedded networks offer a strategic framework for apartment buildings to achieve cost efficiency, environmental sustainability, and regulatory compliance, making them an integral part of the future of urban residential energy management.

A case study has been provided, please refer to the supporting data section 6.3

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**11. What other benefits are there for residential embedded network customers?**

Embedded networks in residential settings, particularly in apartment buildings, offer a multitude of benefits beyond cost savings and emissions reductions. These networks represent a forward-thinking approach to energy management and distribution, providing advantages that encompass enhanced energy efficiency, improved sustainability, increased control and flexibility over energy sources, and financial benefits from on-site renewable energy production.

#### **Increased Control and Flexibility**

Residents within an embedded network have greater control over their energy sources. These networks often come with advanced energy management systems that allow for real-time monitoring and control over energy consumption. Residents can adjust their usage based on pricing signals or availability of renewable energy, contributing to more informed energy use decisions and potential cost savings.

#### **Community and Social Benefits**

Embedded networks foster a sense of community by aligning residents' interests towards shared goals of sustainability and cost savings. This collective approach can enhance resident satisfaction and contribute to a positive living environment. Additionally, buildings with embedded networks and a focus on sustainability can attract environmentally conscious residents, increasing demand for apartments within such complexes.

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

Savings from embedded networks are crucial for affordable housing residents. However, commercial disincentives for operators to service these demographics should be addressed to broaden access to affordable energy.

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

The Altogether Group disputes the generalisation that embedded network customers pay higher prices. Our analysis indicates that our customers typically pay less than the DMO rate, as evidenced by confidential disclosures.

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**14. What evidence is available to understand the scale, extent or risk of harms?**

The Altogether Group understanding that in some cases, embedded network operators may not be providing sufficient customer benefit. However, we believe that the number of customers serviced by better regulated operators, such as us, is increasing dramatically as evidenced by the number of embedded network customers reported to the AER. This growth trend indicates strongly, in our view, that the scale and extent of risk and harm is declining.

Market data has been supplied in the supporting data section 6.5

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**15. What other harms do embedded network customers face?**

Generally, customers do not face harms in embedded networks when managed by an appropriate provider. However, certain operators' practices do not deliver optimal customer outcomes, particularly where financial incentives for operators are prioritised.

Harms can include excess pricing, wrongful disconnection, unreasonable payment terms, lack of hardship support and poor metering standards (resulting in inaccurate bills).

It should be noted that there has been significant progress in private sector reform within embedded networks in recent years.

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

The AER should strive for harmony among state legislations, prioritising federal energy legislation over state-based legislation to avoid misalignment and duplication.

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**17. What are the risks and implications for embedded network service providers, prospective exempt sellers, customers and other relevant third parties if we require current deemed exemptions to be registered? How could any risks be mitigated?**

Main risks include technical compliance breaches by smaller networks and disproportionate administrative costs. Mitigation involves appointing competent organisations, such as authorised retailers, to manage these requirements.

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**18. How should we measure the benefits to consumers of registration?**

Benefits can be measured using data submitted to Energy Made Easy by authorised retailers. Exempt sellers should be required to declare the benefits provided to customers.

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**19. 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**

Risks include increased costs and viability challenges for some providers. Mitigation involves providing a transition period and ensuring the market has sufficient scale to handle changes.

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NR2 registrable network class exemption holders? How could the risks be mitigated?

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

Benefits should ensure customers are no worse off, preferably better off, than on-market. Criteria should include competitive pricing, carbon emissions reduction, and compliance with the national energy objective.

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

Ensuring all embedded network customers are serviced by ENOs under AER jurisdiction through a retail authorisation, using existing systems and procedures for monitoring.

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22. What are the risks to embedded network service providers, prospective exempt sellers, customers and other relevant third parties if we introduced a requirement to apply to the AER to register an NR2 network class exemption?

Risks include technical compliance issues for smaller providers and increased administrative costs. Appointing competent organisations to manage these requirements can mitigate risks.

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23. What are the implications of requiring embedded network service providers to demonstrate customer benefits before being permitted to register an NR2 network class exemption?

Some operators may become non-viable if required to meet customer benefit criteria. Grandfathering provisions in limited situations would allow for industry adaptation.

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

The Altogether Group strongly opposes closing NR2 registrations, as it would counteract the national energy objective and stifle industry growth and innovation.

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25. What would be the impacts on customers, embedded network service providers, exempt sellers, embedded network managers, and other parties if we ceased granting exemptions for embedded networks with more than 10 residential customers? Please provide information to support your views.

Ceasing exemptions for larger embedded networks would be detrimental, likely leading to industry shutdown, job losses, reduced innovation, and higher energy costs for consumers.

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26. What compliance breaches should exempt sellers be required to submit to the AER, if they on-sell to residential customers?

Exempt sellers should report all breaches in line with standards imposed on authorised retailers, including pricing, EIC breaches, life support breaches, and failure to deliver effective hardship support.

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27. What performance reporting indicators would best support the AER to identify consumer trends and inform regulatory reform for embedded networks?

The AER can utilise data from authorised retailers and require exempt sellers to supply information on customer outcomes, administered by ENOs on behalf of exempt sellers.

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28. What would be the benefits, costs and risks to exempt sellers, and other stakeholders, if the AER were to impose compliance and/or performance reporting obligations on exempt sellers, who on-sell to residential customers?

Benefits include improved compliance and customer outcomes. Risks involve potential unviability for some providers, mitigated by requiring services to be carried out by competent organisations with market scale.

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29. Should we extend any compliance reporting obligations to exempt embedded network service providers, via the Network Guideline?

Compliance reporting obligations should be extended on a limited basis, focusing on areas not covered by retail selling guidelines or retail rules applicable to authorised retailers.

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30. Should family violence obligations be extended to exempt sellers who on-sell to residential and small business customers?

Family violence obligations should be extended to exempt sellers to ensure comprehensive consumer protection.

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31. What obligations would, and would not be feasible, to implement?

Implementing obligations for all deemed exemptions to be registered may be unfeasible for smaller networks due to disproportionate costs.

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32. Could some obligations be tailored to the specific circumstances of an exempt selling scenario? How, and what support might enable sellers to meet their obligations effectively? What additional obligations should the core exemption conditions include?

Obligations can be tailored based on demographics, with different requirements for sites like affordable housing or lifestyle resorts. Core exemption conditions should include a positive requirement for ENSPs/on-sellers to deliver community benefits equal to or greater than on-market outcomes.

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## 3 Response to Reform Options

### 3.1 Option 1: Closing ND2

In addressing the trio of reform alternatives presented by the AER in section 7.1 of their issues paper, the Altogether Group acknowledges the potential of each option while cautioning against the risk of inadvertently hampering innovation through overly bureaucratic processes or outdated eligibility criteria.

Regarding option 1, the Altogether Group contends that there is no compelling reason to exclude any embedded networks, regardless of their structure, from being registered with the AER. The process of registering an embedded network is not overly burdensome administratively and would enhance the visibility of the number of consumers residing within these community setups.

Nonetheless, the Altogether Group notes a concern with the fixed costs involved in appointing an embedded network operator. Although these costs are generally low, they can become disproportionately burdensome for embedded networks with a small number of child meters, where the costs cannot be spread effectively. To mitigate this, the Altogether Group suggests that a more streamlined and proportionately scaled registration process could be introduced for such networks.

Moreover, it should be acknowledged that smaller embedded networks, particularly those with 10 lots or fewer, generally do not provide significant customer benefits in terms of pricing. These networks often lack the electricity consumption levels and load diversity needed to access larger commercial network tariff codes, leading to increased distribution costs. Consequently, their capacity to invest in innovative technologies is notably reduced.

### 3.2 Option 2 & 3: Confirming Benefits & Limiting Harm

The Altogether Group strongly endorses embedded networks incorporating a "benefits test," aimed at maximising advantages for consumers while minimising potential harms. However, applying a customer benefit entry criterion at the network exemption level is problematic. It is crucial to distinguish the primary objective of network exemptions, which focuses on the safe distribution of electricity rather than its sale. Typically, the provision of benefits, particularly in terms of pricing, is facilitated through retail exemptions or supply by an authorised retailer rather than through the network exemption itself. Consequently, amending network exemptions alone may not effectively ensure benefits or mitigate harm.

Embedded networks, known for their adaptability to innovation and technological advancements, could be hindered by imposing consumer centric entry criteria at the network exemption level. Such requirements could potentially restrict the development of networks designed to future-proof communities by necessitating the inclusion of specific technologies or infrastructure prematurely before their maturity or necessity is established.

While we are in strong agreement that embedded networks should deliver substantial benefits, we argue that imposing this as a prerequisite for network exemption is misguided. A more suitable approach would involve regulating at the retail on-supply level, where the focus on consumer benefits, particularly pricing and consumer protections, is more directly applicable.

We also recognise the AER's concerns regarding limited oversight over embedded network operators' adherence to regulations. This could be addressed by instituting compulsory reporting obligations like those imposed on authorised retailers for exempt sellers, or by mandating embedded networks to designate an authorised retailer instead of an exempt seller.



## 3.3 Option 4: Closing of NR2

The Altogether Group firmly opposes the proposal set forth in the issues paper and is compelled to voice our significant disappointment with the suggested approach. We steadfastly believe that the portrayal of embedded network customers as experiencing more harm than benefit is not only inaccurate but lacks a factual basis. Recognising the sector's rapid evolution and maturation, it's crucial to highlight the positive strides made towards enhancing regulatory compliance and consumer protection.

The expansion in the number of consumers serviced by authorised retailers is a testament to the sector's commitment to higher standards. For example, the substantial growth in our customer base, as reported to the AER, exemplifies the industry's dedication to progress and accountability. Discontinuing NR2 network exemptions, after such tangible advancements, would not only stifle innovation but also significantly hinder competitive dynamics within the industry, potentially leading to adverse outcomes such as job losses and negative impacts on investments.

We also wish to stress that the principal challenge hindering effective sector reform has been the inadequate enforcement of compliance by the regulator. Strengthening enforcement is essential to ensure that the sector's development continues to benefit consumers and providers alike, fostering a competitive and innovative environment.

Moreover, the proposed restrictions on residential high-rise communities, which are privately owned, represent an unwarranted intrusion into the rights of property owners. Such measures would severely limit these communities' autonomy and their ability to self-govern, an outcome we find unacceptable.

The Altogether Group calls for a regulatory approach that truly recognises the diversity of consumer needs and the dynamic nature of the sector. Adopting a rigid, one-size-fits-all strategy is not only impractical but regressive. We urge the regulator to adopt a more nuanced, flexible framework that encourages innovation and respects the unique characteristics of individual communities and property owners.

In essence, while we are committed to advancing consumer protection and industry standards, we strongly believe that the proposal under consideration would negatively impact the sector's growth and the broader objectives of competition and innovation. We firmly oppose this option and advocate for a reconsideration of the approach to ensure it supports the continued evolution and health of the embedded network sector.

## 3.4 Option 5: Compliance Reporting

The Altogether Group supports the proposal to impose compliance and monitoring obligations on exempt sellers. We are particularly in favour of option 5, which would allow both the regulator and, ideally, the sector at large to access and analyse data, facilitating more informed decisions regarding the future of embedded networks.

Acknowledging the AER's concerns about the potential administrative burden associated with regulatory reporting, it is crucial to emphasise that effectively managed networks, including those operated by the Altogether Group, are equipped with systems that streamline such reporting. These systems simplify the compliance process, significantly reducing both effort and associated costs.

The implementation of these obligations would not only enhance transparency and accountability within the sector but also contribute to a more robust regulatory framework that underpins the ongoing development and integrity of embedded networks.

Furthermore, we advocate for exempt retailers to be required to report all breaches in accordance with authorised retailer procedures. The current level of expertise within the embedded network operator sector is sufficiently robust to handle the administrative demands of compliance reporting effectively.

Regarding the identification of customer trends, the Altogether Group believes that data on pricing, customer numbers, and consumption volumes would be most beneficial for the regulator to monitor affordability and fair pricing. Hardship, Payment Plan, Life Support, Family Violence and Disconnection statistics would also be beneficial to determine any unusual activity, or disproportionate increase or decrease in customer support. However, we contend that the Network Guidelines may not be the most effective vehicle for enhancing customer benefits through compliance reporting. This objective should be addressed at the Retail Exemption level for exempt sellers, whereas authorised retailers are already engaged in compliance reporting.

### 3.5 Option 6: Family Violence Protections

The Altogether Group believes that all family violence protections should be extended to customers of exempt sellers. It is crucial to emphasise that effectively managed networks, including those operated by the Altogether Group, are equipped with processes that can effectively extend these protections to customers without increases the administrative cost burden.

## 4 Benefits and harms of embedded networks

Embedded networks offer a transformative approach to energy distribution and consumption, particularly within high-density residential and commercial complexes. These networks, when effectively managed, have the potential to significantly enhance efficiency, reduce costs, and promote sustainable energy use among consumers. However, it is critical to acknowledge that, like any system, embedded networks are susceptible to mismanagement or exploitation, which can lead to consumer harm. It is essential to differentiate the inherent benefits and potential harms of embedded networks to ensure a balanced and fair regulatory and operational environment.

### **Acknowledgement of Potential Harms:**

We are acutely aware that embedded networks, when poorly managed or operated with exploitative intent, can result in adverse outcomes for consumers. These harms may manifest as unfair pricing, lack of transparency, restricted access to competitive offers, or inadequate consumer protections. It's imperative to recognise that such risks are not exclusive to embedded networks but can occur across various sectors where there is a lack of competitive pressures or insufficient regulatory oversight.

### **Importance of Competitive Marketplaces and Regulation:**

The existence of challenges within embedded networks underscores the importance of fostering a healthy competitive marketplace, alongside meaningful regulation and vigilant enforcement. A competitive environment encourages innovation, efficiency, and consumer choice, driving operators to deliver superior services and value. Concurrently, robust regulation and enforcement mechanisms are crucial for safeguarding consumer interests, ensuring transparency, and preventing exploitative practices.

### **Our View on the Benefits of Embedded Networks:**

Despite the potential for harm, our stance is that the advantages of embedded networks considerably outweigh the negatives, especially when compared to standard on-market arrangements. Embedded networks facilitate bulk energy procurement, optimised infrastructure use, and integration of renewable energy sources at a scale that individual consumers or small collectives might find challenging to achieve independently. These networks can significantly contribute to energy affordability, reliability, and sustainability, aligning with broader societal goals of energy efficiency and carbon reduction.

### **Addressing Exploitative Practices:**

It is disheartening to acknowledge that some operators and exempt sellers engage in practices that can be deemed exploitative, relying on the perception that regulatory enforcement may be lacking or ineffective. In our experience, we have observed instances where consumer harms have persisted unaddressed, even after being reported to the regulatory authorities. This situation highlights a critical gap in ensuring accountability and protecting consumer welfare within the embedded network space.

### **Advocating for Effective Regulatory Enforcement:**

To truly realise the benefits of embedded networks while mitigating the risks, there is an imperative need for enhanced regulatory enforcement. Effective enforcement not only deters exploitative practices but also reinforces the integrity of the embedded network model, ensuring it operates within a framework that prioritises consumer protection and market fairness. The focus should be on creating a regulatory environment where the benefits are maximised through best practices and ethical management, and harms are minimised through diligent oversight and swift action against non-compliance.



## 5 Altogether Group Recommended Approach

Altogether have been actively engaged as an open and well-informed participant in numerous reviews conducted by the AER since our market entry. Our contributions aim to be comprehensive, offering detailed insights and recommendations aimed at enhancing customer outcomes and elevating industry standards. We firmly acknowledge the necessity of recent inquiries and reviews by the various stakeholders, prompted by the sector's growth, and instances of exploitative behaviours exhibited by a small minority of exempt on-sellers, their agents and in some cases, authorised energy retailers operating as in embedded networks.

We strongly endorsed the embedded network reform recommendations unveiled by the AEMC in 2019 and have consistently advocated for the AER to extend equitable consumer protections to residents in embedded networks. As the AEMC recommendations have not been implemented, we support the ongoing efforts to modernise and improve the exemption framework.

As highlighted in the review, the Networks Guideline serves as the cornerstone regulatory instrument for the AER in establishing eligibility criteria for granting exemptions to own, operate, or control embedded networks. We endorse any approach that empowers the AER to exercise judgment on both technical and subjective aspects of proposed embedded networks, but stress again that it is in the retail exemption, and in some cases authorised retailer activity, where harm is more likely to occur.

Implementing a refined assessment process would streamline resource allocation and enhance the AER's oversight, fostering greater transparency and accountability among applicants to uphold positive outcomes for residents in embedded networks. Not imposing more stringent entry procedures and ongoing monitoring measures could signal to those operating embedded networks in an exploitative manner that such an approach is permissible.

Altogether recommends enhancing the point-in-time exemption application process by strengthen network exemption eligibility criteria , such as adding the requirement for applicants to submit a statutory declaration affirming the implementation of a minimum set of procedures and demonstrating the embedded network operator's capacity to execute them. This emphasises the applicant's accountability regarding pricing, consumer protections, safety measures, and the advancement of consumers' long-term interests in alignment with achieving the National Energy Objective.



## 6 Supporting Data

In this section, we provide evidence, relevant to the Altogether Group, and data-driven insights to substantiate our responses to the consultation paper.

### 6.1 First-hand Accounts of Customer Experiences.

#### Customer Survey Feedback

The Altogether Group invites all customers who contact us via telephone or online to participate in a brief survey assessing their satisfaction with our services. We categorise survey results based on the type of on-seller, namely Authorised Retailer On-Sellers or Exempt On-Sellers, and findings are comparable across both categories.

Our latest data reveals that 90.2% of retail customers report being satisfied or very satisfied with the services they receive. In a similar vein, 88.3% of customers serviced by an exempt seller express satisfaction or high satisfaction with their service.

Customer Type	Positive	Neutral	Negative
Agency Embedded Network	88.3%	2.9%	8.7%
Retail Embedded Network	90.2%	2.6%	7.1%

Source: Altogether Group Simplesat Surveys 2024 Q4. Sample Size ~500.

In our commitment to transparency and authenticity, The Altogether Group has made available the raw data from these surveys, inclusive of customer comments. All feedback is unedited and encompasses both positive and negative remarks. For privacy reasons, we have redacted any information that could identify individuals.

#### Confidential Data Provided

- File: Customer Feedback – Comments (**Confidential**)
- File: Customer Feedback – Stats (**Confidential**)

#### Net Promoter Score

In addition to customer surveys, the Altogether Group engages an independent, specialised third party to conduct thorough, interview-style surveys with embedded network owners who utilise our services, encompassing both the retailer and agency platforms. We extend an invitation to all clients to partake in these surveys.

The latest survey, carried out in May 2023, yielded an NPS (Net Promoter Score) of +35. This score is a robust indicator of client satisfaction and, crucially, reflects a strong propensity among clients to promote our services.

Feedback from our clients, expressed in their own words, highlights the exceptional nature of our client experience:

“Exceptional account management. They really care about customers and are always fair, but firm when they need to be. It feels like an honest and authentic partnership, and I can trust them. Unusual to have an electricity company be so thoughtful.”

and

“Great team who do a great job and always deliver which simply put, makes me look good to my clients.”

However, some clients expressed concerns over being advised that authorised retailers might offer superior consumer protections and lower risks. One client remarked:

One client said:

“Good customer service and excellent account management but resent the risk scare tactics used”.

The Altogether Group is committed to transparency and is pleased to submit the NPS results for 2022 and 2023 to the Australian Energy Regulator as a confidential supporting document.

### Confidential Data Provided

- File: Altogether Group\_Client Sat 2023 Report (Confidential)
- File: Altogether\_Industry Insight\_2022 (Confidential)

## 6.2 Prices in Embedded Networks

Addressing common misconceptions, the Altogether Group is dedicated to ensuring that our customers receive pricing that is equal to or better than the best available market offers. This commitment comes despite widespread commentary suggesting that embedded network operators and exempt sellers often do not offer competitive pricing.

In July 2023, we conducted a comprehensive review of consumer pricing within our retail serviced portfolio. This review aimed to adjust our pricing in response to the significant energy cost increases experienced over the previous 18 months. Such adjustments were crucial to prevent potential price escalations for our consumers, ensuring they continue to benefit from their embedded network.

Our commitment goes beyond ensuring no customer is disadvantaged compared to market offerings; we strive to enhance the benefits of being part of an embedded network wherever possible. To this end, we focused on improving our procurement strategies and increasing the ‘relative discount’ compared to the Default Market Offer (DMO) for FY24. We calculate this ‘relative discount’ by comparing the consumption values and total costs by distributor from the DMO against the annual cost outcomes for a comparable customer within each Altogether managed embedded network.

The fiscal year 23 saw us navigating through extreme pricing events, yet we managed to offer an average ‘relative discount’ of 23% across our residential customer base, with some customers enjoying discounts as high as 43%. In FY24, we were able to increase this ‘relative discount’ to an average of 26% for all customers, with the highest discounts reaching up to 53%.

These results unequivocally demonstrate that customers of embedded networks, when managed effectively, can consistently benefit from superior pricing outcomes compared to standard market options.

The Altogether Group is pleased to confidentially provide tariff data demonstrating the “relative discount”.

### Confidential Data Provided

- Rate RD FY24

## 6.3 Case Study, Solar Share

The Altogether Group has provided a comprehensive operating guide that details a real example of an innovative solar share scheme operated by the group in NSW. The scheme, which offers both pricing benefits and emissions reductions, is only possible due to the NR2 exemption classification.

The document is provided confidentially.

- File: Solar Share Overview

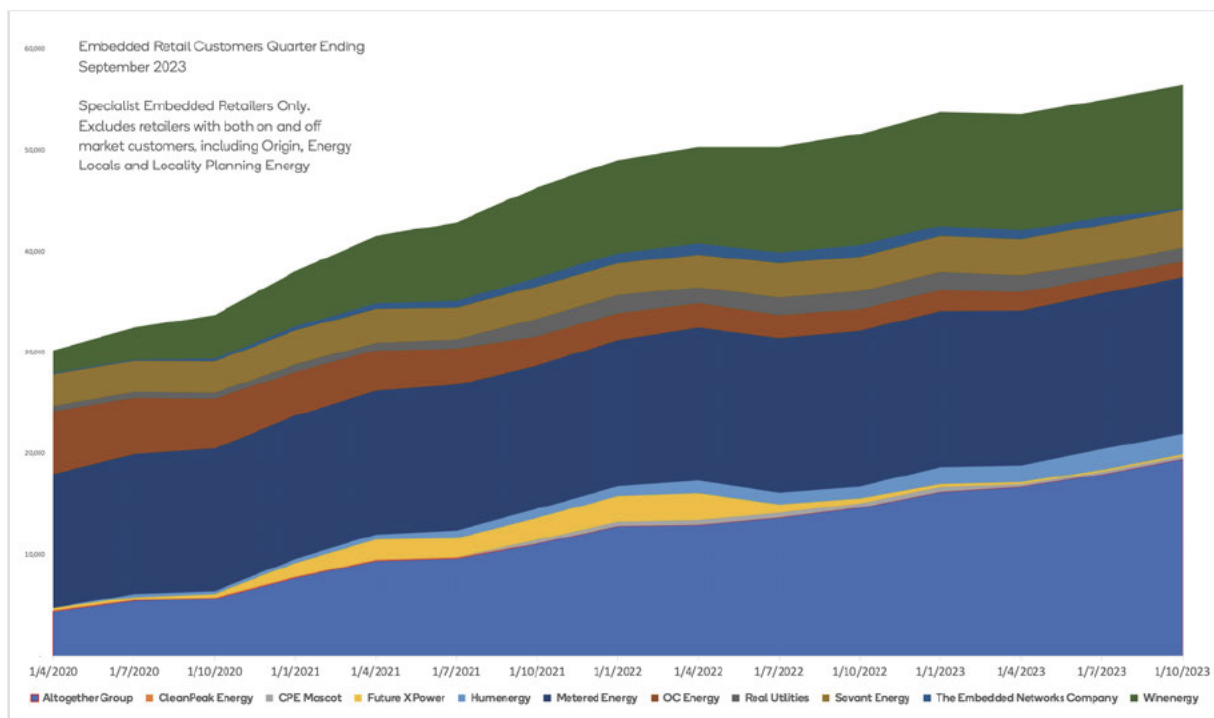
## 6.4 Procurement Outcomes

The Altogether Groups procurement strategy is confidential and is one of our competitive advantages. The Altogether Group is comfortable presenting more detail as to the procurement benefits than can be secured within embedded networks.

## 6.5 Retailer Embedded Network Share

Data made available to the public through AER report (Schedule 2 performance report) allows for the monitoring of the transition of embedded networks operating under retail exemptions to appropriately regulated authorised electricity retailers. The numbers are grossly understated, as they exclude Origin Energy, Locality Planning Energy and Energy Locals embedded network customer base (which cannot be easily separated from its on-market customer number).

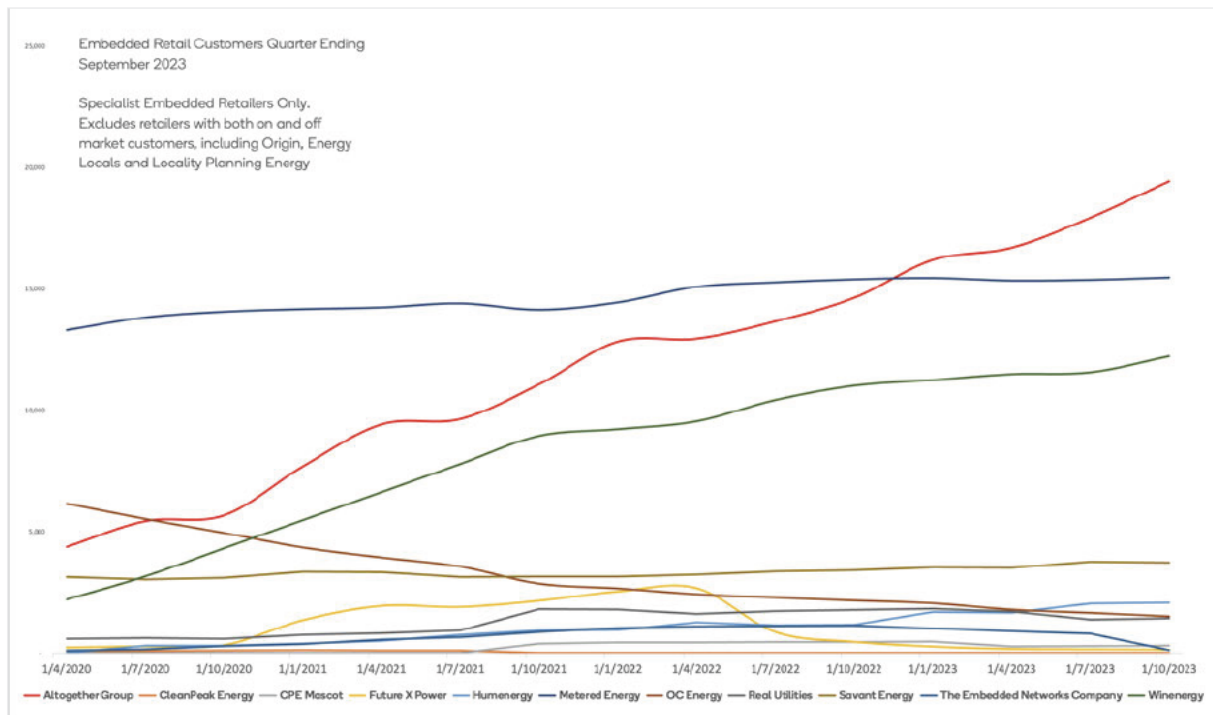
### Overall Retail Embedded Network Market Growth



Data Source: Consecutive AER published Schedule 2 Performance Reports

## Individual Retail Embedded Network Provider Change Comparison

Recent trends show a dynamic shift in the embedded network market, with a notable movement towards providers that prioritise compliance and customer advocacy, like the Altogether Group, experiencing substantial growth. This shift suggests a decline in market share for smaller providers, highlighting the market’s evolution towards those who offer robust consumer protections and dedicated service.



Data Source: Consecutive AER published Schedule 2 Performance Reports

## 6.6 Response to Question 7 & 9

### Virtual Energy Networks

In another example of demonstrating innovation to deliver low-cost energy to customers, Altogether has commenced negotiation with Virtual Energy Network providers to utilise solar in the Ergon jurisdiction which does not compensate its customers for excess generation.

Altogether expect to redistribute 300 MWh of excess solar generated from two sites managed under the Manufactured Home Parks Act with a high proportion of vulnerable customers, to other sites impacted by the high cost of energy experienced last year. Particularly in the Ergon jurisdiction, Tariff 11 customers are not afforded the benefits of contestability and participation in innovative solar initiatives not only serves customers within a community that can afford solar but also benefits those who may not be able to afford the installation costs.

I include data that showcases how higher-density complexes configured as embedded networks benefit residential buyers. This includes comparative analyses of energy costs, infrastructure efficiencies, and consumer satisfaction metrics.





## 7 Conclusion

The Altogether Group's submission underscores our commitment to a regulatory framework that balances innovation with consumer protection. Our experiences and insights affirm the potential for embedded networks to offer significant benefits when guided by effective regulation and ethical practices. We advocate for a collaborative approach to address challenges, emphasising the need for clear, enforceable standards and active regulatory oversight. Moving forward, we welcome the opportunity to engage further with the AER and other stakeholders, contributing to a future where embedded networks continue to evolve as a force for good in the Australian energy market,