

Submission to ...

AER REVIEW INTO EXEMPTIONS FRAMEWORK FOR EMBEDDED NETWORKS



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Dear Mark,

We are wishing to contribute to the AER's Review into Exemptions Frameworks for Embedded Networks. Our contribution will be settled under broad headings that are highlighted in our reading of the Issues Paper, rather than answering specific questions.

For the record we hold an R4 and an NR4 exemption (if someone could give us a simple, straight forward reason of why we need both registrations, that would be appreciated) and have used an embedded network since 1982 when we first welcomed residents into our park.

In that time, we have seen numerous regulatory reviews, and subsequent changes, none of which have lowered the administrative burden, nor the cost of operating the network, with some, simply adding to them. By way of an example, the requirement to be a member of EWON (Energy & Water Ombudsman NSW), which has cost us both in time and in money to be a member. EWON is yet another consumer protection that residents in caravan parks and manufactured home estates have access to. The others are NSW Civil and Administrative Tribunal, and NSW Fair Trading, neither of which we pay for unless we need their services. You write in the paper about the need for consumer protections, but there must be a balance, because the more a business pays, the more that is needed to be passed on to consumers in order to keep the business operational.

Approach to the Review

We are becoming increasingly frustrated that the set of rules originally designed to cover a small number of embedded network types, who make no real profit from their networks, are now being used to cover so many other situations. The increasing piles of red tape and regulation caused by successive government inquiries trying to deal with the issues has instead caused a significant amount of extra work and cost, as well as an administrative burden that is getting beyond a joke. It is very much part of the reason that parks, where they can afford it, are turning to the services third-party consultants and embedded network authorised retailers.

The time has long since passed where one set of rules can adequately cover all scenarios. If the AER and other regulators are committed to engagement with stakeholders on minimising the effects of embedded networks on consumers, then now is when the AER starts the process of categorising embedded networks into the five main types of networks:

- Caravan Parks and Residential Communities
- Retirement Villages,
- Apartment Complexes,
- Commercial Complexes,
- Embedded Network Retailer

This would then allow regulators, including the AER and AEMC, to put in place the rules and frameworks that deal with the issues as they relate to the different types of embedded networks, and simplify the rules for all network types.

It could also offer caravan parks, such as ourselves, who are subject to numerous regulatory frameworks around energy supply, including, but not limited to:

- AER Retail and Network Guidelines,
- Australian Consumer Law,
- NSW Fair Trading Act
- NSW Electricity Supply Act
- NSW Residential (Land Lease) Communities Act
- NSW Civil and Administrative Tribunal (NCAT) Act

...a return the set of rules that were originally intended to cover our type of embedded networks. Further, it will bring a welcome relief to the those who seem to have been caught up in the machinations of the far bigger embedded networks that you wish to improve.

Growth of Embedded Networks

We suspect that the growth in registerable exemptions for caravan and holiday parks (NR4) from 260 in 2017 to 513 in 2023 has a lot to do with the demand for registration with ombudsman schemes, and parks are finding – as we did – that they are not on the public register, despite sending in paperwork years ago. The form has no area for a signature or a date, meaning that unless the park has another way of proving their submission dates, they are stuck with the date that they registered, likely for the second time! This date has significant repercussions for all parks, should the NECF come into effect.

In our case we wrote to Kathie Standen (Executive General Manager – AER) in November 2021 and requested that our date be changed from 2021 to 2013 when the

original paperwork was submitted, and not entered in the system (if you require a copy of the letter, please contact us).

After reading the issues paper and considering what was presented, as well as our own research and conversations, we would like to see the NR2 exemption for Higher Density Networks continue. We see value in housing that includes apartments, which are often a stepping stone into home ownership for younger people. However, we understand that there has been, and could continue to be, issues surrounding these types of developments. We would like to propose the following as a possible solution:

That the developer is required to pay for an onsite inspection and audit with a representative from the AER. The developer and electrical firm should each have a representative also on site at the time of inspection. The AER can then assess whether the embedded network development will operate as required by the framework. Photos of the set-up can also be taken, so that any later queries can be compared what was inspected to what was there now.

Harms of Embedded Networks

The AER has concerns that there are “risks” of harm to consumers, namely limited compliance framework, lack of retail competition and high energy prices, and limited consumer protections.

Our first concern is that, despite all the frameworks noted above that there still seems to be this idea that there are not enough consumer protections! Additionally, we are now subject to being members of EWON and, if they start an investigation into a complaint, we are liable for costs incurred, even if it is found in our favour! We have heard anecdotally of parks that have had the same complaint taken to EWON, NCAT and Fair Trading all at the same time, and costing the parks hours of time and lots of money. It would be good, if in the redrawing of the networks into the five categories mentioned above, that the burden of being a member of an ombudsman scheme was removed from Caravan Parks and Manufactured Homes Estates.

Lack of retail competition, and the idea of monopolistic practises, is a simple fact. There can be no retail competition because the retailer is the business providing the power. A business will look for the best deal on energy, which includes costs, servicing, and other factors. That is how a business operates.

The only issue that seems to be a sticking point is price, and what is charged to consumers. For NSW Caravan Parks we have the Reckless Method from the NCAT case in 2018, whereby we cannot charge any more for power than that which the business has been charged. It requires a changing of the prices every month, which is yet more administrative burden on small business. The current IPART review gives us some hope that that burden may be reduced, but it could be a while away yet.

If the AER is concerned about the prices being charged, then why don't they set semi-annual prices, much as they do for the DMO, based on the average price of the five biggest on-market retailers? This would give every embedded network a maximum price that they can set for their customers. If you would like to check the prices being

charged to consumers, then you could request a bill to be sent a dedicated AER email address within a specified timeframe (30 or 45 days perhaps?) for confirmation. Complaints after that can be addressed to the same email address.

Additionally, the Residential (Land Lease) Communities Act will not allow us to disconnect a resident for non-payment of invoices. This means that some parks have residents with energy bills in the thousands of dollars and no means of gathering the money back. In some cases, even an NCAT order has been insufficient to have the outstanding amounts paid for.

Benefits of Embedded Networks

In the harms listed above, you note higher prices and, in the list of benefits you note lower prices? It seems that the Issues Paper is hedging their bets both ways, and we draw your attention to the last paragraph – if the AER has concerns, then set the prices as you do for the on-market default market offers.

It is our position, and will remain so for the foreseeable future, that access to renewables is something that must benefit all residents in our park. The reason is two-fold – the first has to do with equitable access for all residents to the benefits offered by renewables, and the second has to do with the metering. We have held conversations with parks from across the country about embedded networks, and those who have had residents put solar panels on (with or without permissions) there have issues with the meters running backwards and giving a negative reading, or demanding rebates and compensation from the business, often based on information from on-market energy provided friends.

There is another benefit to the Caravan Parks and Manufactured Home Estates embedded networks that has been missed from your list. Many of us have on site management teams or staff, who are aware of which residents would be in need of assistance within their parks, and not just because they are on life-support. When the energy supply is disrupted, we would naturally go and check on those people to ensure their safety. This was very much demonstrated in the Northern Rivers flooding when those in residential parks were in a much better position than those outside.

Other Issues

The requirement for yet more excessive policies and training is another regulatory cost and administrative burden on small embedded networks. There are not enough hours in the day as it is to run our businesses, without needing design yet more policies for everything that regulators think we should have. An embedded network operator should be allowed to decide for themselves whether they need a Family Violence Policy or training based on their own knowledge of their customers.

Finally, we want to draw your attention to this idea sprouted by some in the consumer/tenants advocacy space that it is “easy to go on-market” and that “embedded network operators won’t allow it” that often comes up at workshops dealing with embedded network issues. It is not easy, and someone has to pay. If you take the resident in our

park who is furthest from the parent meter by way of an example. The distance between the two points is about 250m, meaning that there would need to be civil works, cabling, new meters and other infrastructure changes at a cost of about \$600,000 to put in the infrastructure, and then, when the resident leaves, another \$600,000 to return the park and infrastructure to where it was originally. Who pays for that cost? We won't and can't. The retailer will balk when the resident's monthly bills only offer a \$200 to \$250 return, and the resident won't be able to afford it. This nonsense idea has led to the development of the fact sheet, which caused undue distress and burden on smaller embedded networks.

Should you require any further information or want clarification on any of our points above, you can contact either of us on [REDACTED] [REDACTED] [REDACTED] or email us at [REDACTED]

Yours sincerely,



Frank Edwards
(Owner)



Alison Edwards
(Manager)