Submissions delivered electronically to: AERexemptions@aer.gov.au

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To Mark,

To commence our response, we express our appreciation to the Australian Energy Regulator (AER) for extending the opportunity to stakeholders to actively participate in the ongoing Review of the AER exemptions framework for embedded networks.

At the heart of our stance is a fundamental advocacy for alignment with Retail Laws and the core principles elucidated in the paper. We firmly agree that every embedded network tenant should be guaranteed fairness, transparency, and adherence to consumer safeguards. This includes ensuring similar regulatory arrangements as those applicable to retailers, empowering the right to choose a retailer, and preventing any denial of customer protections that are rightfully afforded to other customers. Our commitment to the embedded networks Energy Intelligence manages, rests on fostering an environment within embedded networks that prioritises equity, transparency, and the protection of consumer rights.

In providing this response, it's important to note that Energy Intelligence predominantly manages NON-residential embedded networks. Our specialised focus lies in optimising operational efficiency and ensuring competitive rates for tenants. While our expertise is primarily in the NON-residential domain, our commitment to fairness, transparency, and consumer protection remains unwavering across all aspects of embedded network management.

Consultation questions and response

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 exemptions framework?**
We consider all the criteria outlined in the Retail Law to be significant, with a special emphasis on mitigating harms to consumers, particularly in scenarios where Embedded Networks (ENs) are prevalent in networks with more vulnerable tenants, such as caravan parks or retirement villages. While prioritising benefits to consumers, we believe that the cost for exempt entities is equally crucial. If the cost burden on exempt entities is high, there is a risk that the service and benefits provided to consumers may be compromised or even negated. Therefore, striking a balance between consumer benefits and the practical feasibility for exempt entities is vital for the overall success and sustainability of the exemption framework.

Furthermore, we emphasise that the AER's ability to monitor and enforce compliance will ensure that exempt entities are adhering to the right standards and fulfilling their obligations. This oversight is crucial for maintaining

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the integrity of the exemptions framework and ensuring that the interests of consumers and exempt entities are adequately safeguarded.

2. **Is the AER's proposed approach to the exemption framework review the preferred approach? If no, what other factors or criteria should the AER consider?**
    Yes, we concur with the AER's proposed approach to the exemption framework review.

3. **Is our proposed review scope reasonable? If not, what other supply arrangements should be considered and why?–**
    Yes, we find the proposed review scope reasonable.

4. **What factors are driving the increase in residential exemptions?**
    The increase in residential exemptions is primarily driven by developers seeking cost and time savings. Embedded networks streamline the meter connection process, reducing administrative burdens and offering efficiency and flexibility. This streamlined approach, coupled with the ability to integrate on-site generation, makes embedded networks an attractive option for developers. The simplified procedures and dynamic adaptability to changing project requirements contribute to the growing preference for residential exemptions.

5. **Which factors are having the biggest influence?**
    The most significant influence on the growth of residential embedded networks is the shift in business models. The trend toward higher-density apartment living, driven by factors like urbanisation, changing demographics, affordability concerns, and the desire to avoid cumbersome distributor processes and costs, has prompted developers to adopt embedded network models. This approach offers advantages such as cost reduction, faster construction timelines, and outsourcing metering infrastructure to specialised service providers. Specialised embedded network service providers further contribute to this trend by promoting the benefits of embedded networks to developers and bodies corporates. Innovative services, like renewable energy options and electric vehicle charging, enhance the appeal of embedded networks. Additionally, the rise of compliance business models and increased awareness among service providers play roles in influencing the growth of residential embedded networks. Among these factors, changing business models have the most substantial impact on this trend.

6. **How common is it for new residential developments to be built as embedded networks?**
    As our focus is not on new residential developments, we do not have the specific expertise or data to accurately assess the commonality of new residential developments being built as embedded networks.

7. **How do embedded networks result in lower energy prices for residential customers? Please provide supporting information.**
    Embedded networks contribute to lower energy prices for residential customers through efficient management practices, economies of scale, and sustainable energy solutions. Gate Meter contracting, managed by experienced specialists, plays a crucial role in optimising energy procurement. Avoiding unnecessary embedded network tariffs is essential to prevent increased costs for customers without additional benefits. Additionally, promoting energy-efficient practices and incorporating on-site generation lead to cost savings, fostering affordability and environmental sustainability.

8. **How do infrastructure costs for new developments built as embedded networks compare to non-embedded networks?**
    Infrastructure costs for new developments built as embedded networks can indeed vary, with the comparison to non-embedded networks influenced by factors like the distributor and their associated fees for services. Typically, embedded networks involve costs related to the installation and supply of meters. In certain cases, operators may opt to cover these charges in exchange for ownership of the embedded network. This practice adds a layer of flexibility and negotiation to the cost structure associated with embedded networks, creating potential variations based on the specific arrangements between developers and operators.

9. **How do higher-density complexes configured as embedded networks benefit residential buyers? Please provide supporting information.**

Higher-density complexes configured as embedded networks benefit residential buyers by ensuring a quicker and more efficient connection to service. Buyers in these complexes may also enjoy cost savings as they often don't need to bear the expenses associated with distributor connections. Additionally, residents can access energy-efficient services like electric vehicle charging, aligning with sustainability trends. Notably, lower common area costs further enhance the appeal of such complexes, providing a convenient, cost-effective, and environmentally friendly housing solution.

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

Embedded networks offer innovative and emissions reduction arrangements for residential customers, such as advanced energy monitoring for informed consumption choices, integration of renewable energy sources like solar panels, provision of electric vehicle charging infrastructure, support for smart home technologies, and implementation of demand response programs. These initiatives enhance sustainability and contribute to emissions reduction in residential complexes served by embedded networks.

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

In addition to improved customer service, residential embedded network customers can enjoy benefits such as cost savings, convenience in streamline energy service processes, access to innovative services, customised solutions, community benefits, technological advancements, and sustainability initiatives. These collective advantages enhance the overall living experience for residents within embedded networks, fostering satisfaction and well-being.

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

We don't have additional insights to contribute regarding the consideration of consequential benefits, such as improved access to affordable housing, in this review.

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

With limited data on residential customers, our primary focus is on the non-residential sector. Our thorough annual review of tenant rates within the embedded network aims to ensure operational efficiency. Our primary goal is to maintain competitive rates, consistently enhancing customer satisfaction. Typically, exempt entities opt for the lowest rates, driven by a genuine concern for their tenants' well-being.

To highlight this, an exempt owner states, "The overall outgoings in the centre have surged by 15% in FY24. A further hike in energy costs, even if it aligns with competition and benchmarks, might stretch some retailers too thin, jeopardising their continued presence in the centre." This testimonial underscores the delicate balance we maintain, considering the economic viability of businesses in our embedded network and their ability to thrive in a competitive market.

In the non-residential sector, we do not believe this translates to higher energy prices for embedded network customers. However, we are aware that some operators may set tenant rates at the Default Market Offer due to simplicity or a lack of technical expertise.

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

We don't have additional information or insights to contribute regarding the evidence available to understand the scale, extent, or risk of harms.

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

Embedded network customers may encounter challenges such as limited choices in retailer selection, concerns about managing life support customers, lack of awareness regarding rights and the ombudsman scheme,

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insufficient outage notifications, and reliance on the Default Market Offer without additional discounts. Furthermore, in most states, the concession application process may pose challenges for tenants. Addressing these issues requires a comprehensive approach, including improved communication, better management practices, and increased awareness among customers about their rights and support services.

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

To maximise alignment with jurisdictional actions and minimise the risk of misalignment or duplication, collaborative efforts are key. Regular consultations and information exchange with regulatory bodies and stakeholders ensure that proposed changes align seamlessly with existing regulations and practices. Transparent communication, clear definition of roles, and participation in harmonisation efforts further contribute to streamlined regulatory processes and reduced complexities.

Continuous monitoring of jurisdictional developments, coupled with proactive adaptations to our guidelines, serves as a dynamic approach. By staying informed about changes in regulations, policies, and industry practices, we can swiftly align our guidelines with national energy policies, adopt standards, and maintain consistency. This collaborative, adaptive, and informed strategy aims to create a regulatory framework that complements jurisdictional actions, fostering efficiency and minimising potential conflicts or duplications.

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?**

Requiring current deemed exemptions to be registered could introduce administrative burdens and compliance challenges. Mitigation strategies include clear communication, streamlined processes, education, a grace period for adjustment, online platforms, and regulatory support to ensure a smooth transition and compliance. The overall visibility and transparency benefits are positive but should be balanced with practical considerations for stakeholders.

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

Measure benefits through customer satisfaction surveys, evaluating service connection timeliness, assessing cost savings, tracking accessibility and transparency improvements, monitoring usage of innovative services, and analysing customer complaint data. These metrics collectively provide insights into the positive impacts of registration on consumers.

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

Mitigation strategies could involve implementing a longer grace period to allow entities to adjust to the new requirement. Collaborating with industry associations to facilitate communication and support for exempt entities during the registration process can help address challenges. Adopting a collaborative approach, providing warnings before imposing fines, and working closely with entities for a smoother transition can contribute to mitigating the potential risks and implications associated with mandatory registration.

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

If prescribing specific embedded network customer benefits, the list could include access to EV charging infrastructure, competitive pricing structures, energy efficiency services, transparent billing, community initiatives, sustainable practices, and responsive customer support.

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

To ensure future embedded networks are beneficial to customers, one regulatory approach could involve prescribing specific embedded network customer benefits. This list might include access to EV charging

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infrastructure, competitive pricing structures, energy efficiency services, transparent billing, community initiatives, sustainable practices, and responsive customer support.

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?**

Introducing a requirement for embedded network service providers, prospective exempt sellers, customers, and other relevant third parties to apply to the AER to register an NR2 network class exemption could pose several risks. For embedded network service providers and prospective exempt sellers, there may be concerns related to the administrative burden and costs associated with the registration process. Smaller entities, in particular, might face challenges in compliance, risking potential financial strain or insolvency.

For customers, the risks include potential delays in the connection process, as the application and registration steps could introduce additional time requirements. This might lead to disruptions in service and impact customer satisfaction. Additionally, the risk of increased fees or levies being passed on to customers, especially in the case of penalties for non-compliance, could result in higher costs for consumers.

Other relevant third parties, such as industry associations and regulators, might face challenges in managing the increased workload associated with processing and overseeing numerous registration applications. Therefore, careful consideration and potential mitigation strategies would be crucial to address these risks and ensure a balanced and effective implementation of the proposed requirement.

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?**

Requiring embedded network service providers to demonstrate customer benefits before being permitted to register an NR2 network class exemption could have implications for the development timeline, potentially leading to delays. Concerns may arise regarding the impact on ongoing projects, especially when some new developments may not have an embedded network service provider nominated or may lack that information in the early development stages. The additional effort and resources required to meet new eligibility criteria may pose challenges for developers and prospective buyers involved in residential developments. The introduction of this requirement may also necessitate adjustments in planning and resource allocation for embedded network service providers.

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

Closing the NR2 registrable network exemption class may have unintended consequences, including limiting customer choice within embedded networks, stifling innovation in energy services, impacting developers' ability to adapt to new regulations, and raising compliance concerns. Supporting the continued existence of the NR2 class allows for a balance between regulatory oversight and the flexibility needed for embedded networks to deliver innovative and customer-centric solutions.

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 the granting of exemptions for embedded networks with more than 10 residential customers may introduce several challenges. Customers could experience extended connection times as they navigate the process of identifying their retailer. There may be access difficulties as meter assets are usually located inside private buildings, could pose operational hurdles for distributors. Additionally, an increase in deemed accounts could occur due to challenges in promptly establishing retailer connections for new tenants. These potential impacts underscore the importance of carefully considering the consequences on various stakeholders before implementing such a change.

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

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Exempt sellers, when on-selling to residential customers, should be mandated to report compliance breaches to the AER. This commitment to transparency and reporting is paramount for upholding accountability, safeguarding consumer rights, and ensuring swift intervention to address any issues that may arise in the on-selling process to residential customers. This includes reporting wrongful disconnection, billing errors encompassing inaccuracies or discrepancies in statements, customer ombudsman complaints indicating systemic service problems, violations of regulatory requirements such as pricing regulations or consumer protection laws, and incidents involving unauthorised access or compromise of customer data, necessitating compliance with data protection and privacy regulations.

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

To effectively monitor consumer trends and guide regulatory reform in embedded networks, it is essential to focus on key performance indicators. This includes regular assessments of customer satisfaction, ensuring transparency and accuracy in billing processes, and monitoring complaint resolution times. Additionally, evaluating the accessibility and affordability of energy services, and tracking network reliability, provide valuable insights into market dynamics. Assessing the integration of renewable energy sources, adherence to data security and privacy regulations, and the adoption of innovative technologies further contribute to understanding consumer preferences and challenges. Community engagement metrics and participation in energy-saving initiatives offer a holistic view, supporting the AER in making informed regulatory decisions that prioritise consumer interests and enhance the overall embedded network experience. Moreover, incorporating data on tenant payment plans, difficulties, and concessions directly applied to embedded network tenants provides a comprehensive understanding of the financial aspects affecting consumers.

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?

Imposing compliance and/or performance reporting obligations on exempt sellers who on-sell to residential customers carries potential benefits, costs, and risks for various stakeholders. The benefits include a cleaner industry with standardised services, fostering transparency and accountability. However, the administrative costs for exempt sellers will rise due to the additional reporting requirements, impacting their operational expenses. The potential risks involve the need for careful consideration of the reporting burden on smaller entities, ensuring that the obligations do not disproportionately impact them. Striking a balance between regulatory oversight and supporting the viability of exempt sellers will be essential to mitigate potential challenges associated with compliance and reporting obligations.

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

Extending compliance reporting obligations to exempt embedded network service providers through the Network Guideline is a prudent approach. Such reporting requirements contribute to transparency, accountability, and regulatory oversight, ensuring that embedded network service providers adhere to industry standards and consumer protection measures. Comprehensive compliance reporting enhances the ability to monitor the performance of exempt entities, identify potential issues, and take proactive measures to safeguard the interests of consumers. This extension aligns with the broader objective of maintaining a well-regulated and consumer-centric environment within embedded networks.

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

Extending family violence obligations to exempt sellers who on-sell to both residential and small business customers is indeed crucial. Ensuring a safe and supportive environment for customers facing family violence is a responsibility that should extend across various service providers, including exempt sellers. By incorporating these obligations, it not only reflects a commitment to consumer welfare but also contributes to a broader societal effort to address and mitigate the impacts of family violence. The inclusion of such obligations aligns with the overarching goal of fostering a secure and compassionate energy service environment for all customers, irrespective of their residential or business status.

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

We believe that all three proposed obligations, including retailers having regard to customer safety, developing and implementing a family violence policy, and avoiding the disclosure of affected customer information, should be feasible for exempt sellers. However, it is important to provide training and support for exempt sellers to ensure effective implementation of these obligations. This training can enhance their ability to manage family violence situations appropriately and uphold the safety and privacy of affected customers.

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?

Some obligations could be tailored to the specific circumstances of an exempt selling scenario, considering factors such as geographic location, deemed category, and the diversity of customers. It would be beneficial to include provisions for access to services in different languages to ensure effective communication with a diverse customer base. Providing comprehensive training and resources, along with fostering collaboration with local support services, would be crucial in enabling exempt sellers to meet their obligations effectively in addressing family violence issues. Additionally, core exemption conditions should emphasise the importance of cultural sensitivity and awareness in handling such situations.

In conclusion, we extend our appreciation to the AER for the opportunity to contribute to the Review of the AER exemptions framework for embedded networks. Should there be any further inquiries or a desire for a more in-depth discussion regarding our submission, we welcome the opportunity for further engagement. Both Mussan and I are at your disposal. Energy Intelligence stands ready to offer ongoing support, providing additional data and insights within the domain of embedded networks.

Yours sincerely,

Mardi Trezise
Managing Director

Mussan Larnach
Compliance Manager

ABOUT **ENERGY INTELLIGENCE**

Energy Intelligence is a leading energy consultancy that specialises in providing advisory services within the embedded sector. We are dedicated to offering comprehensive embedded network solutions, specifically tailored for clients who own embedded sites. These sites encompass a range of energy sources, including both traditional and renewable-based generation, across various states. Our commitment to compliance is guided by the pursuit of best practices, surpassing the minimum requirements of each jurisdiction. This commitment is evident in the embedded networks we manage.

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