

Redacted Version

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Submission to AER review of exemption frameworks for embedded networks

Dear Mr Feather,

SUPA Energy welcomes the opportunity to lodge this submission with AER on its review of exemption frameworks for embedded networks and the opportunity to constructively engage with AER on ensuring consumer protections and choice through market competition and innovation through progressive embedded energy networks.

Executive summary

SUPA Energy advocates for consumer protection and choice through market competition and innovation. It supports a fair and equitable review of the exemption frameworks that ensures the energy industry can continue to innovate and operate for the benefit of consumers.

Embedded networks allow for centralised energy management and can offer benefits including cost savings, efficiency improvements, and support for sustainable energy solutions. Managed by operators or exempt sellers, they supply energy to residents or tenants, leveraging economies of scale to negotiate better rates and implement innovative energy solutions. This approach can also facilitate infrastructure for electric vehicles and contribute to a lower carbon footprint, aligning with broader environmental goals.

This submission details SUPA Energy's operations across Australia, emphasising energy solutions to multi-occupancy communities. It discusses the benefits of embedded networks, including cost and operational efficiencies, the support for electric vehicle adoption, and the potential for lower energy prices for consumers.

SUPA Energy responds to the AER's questions, advocating for a unified approach to regulatory inquiries and emphasising the importance of considering consumer preferences, market competition, and innovation in the review.

SUPA Energy supports the AER's review scope and its commitment to engaging constructively with AER and other stakeholders.

Background and context

SUPA Energy is a progressive full-service utility providing affordable and sustainable energy, hot water and electric mobility solutions to multi-occupancy communities. Our



purpose is to improve the lifestyles of the communities we serve by delivering inspiring buildings and elevated occupier experiences.

SUPA Energy operates across Australia in the Australian Capital Territory, New South Wales, Queensland, South Australia and Victoria. SUPA Energy works with property investors, developers, owners, operators and strata communities in both new developments and existing properties in residential, retail, commercial, and industrial multi-occupancy buildings.

SUPA Energy¹, a division of Smart Urban Properties Australia², is recognised as a progressive full-service utility at the forefront of providing affordable and sustainable energy and electric mobility solutions.

With a unique tailored capital invested, managed services business model, SUPA Energy provides affordable essential services to energy customers in embedded networks at an **average discount of █% to the current DMO** across all three electricity distributors.

Beyond competitive retail tariffs, embedded network service providers also invest in critical building infrastructure, plant and equipment to improve building amenities and services for owners and residents.

Embedded networks offer a range of benefits to consumers, to the environment, and to cost and operational efficiencies for distribution networks. Embedded networks allow multi-occupancy buildings to operate independently, to maximise the self-generation and storage of electricity, and to enable the provision of EV charging infrastructure.

Consequently, the potential harms of embedded networks need to be carefully balanced against the real benefits and advantages that they provide.

Response to stakeholder questions

Approach to the review

- 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?**

SUPA Energy agrees with the AERs key principles and factors in its exemption frameworks assessment, noting that whilst the AERs assessment should reasonably focus on consumer protections and fair market reflective prices, that the AER should also focus its assessment on holistic consumer preferences and choice through market competition and innovation and in the capital investments made by exempt embedded networks service providers and exempt sellers in multi-occupancy buildings that improve property amenities and services, inclusive of renewable energy and electric mobility.

- 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?**

¹ www.supaenergy.au

² www.smarturbanproperties.com.au

With jurisdictional regulatory enquiries on foot,³ SUPA Energy strongly advocates for a unified and harmonious approach by governments and regulators and in consultation with industry and consumers.

In the context of the AER's approach, SUPA Energy advocates for consumer protection and choice through market competition and innovation and supports a fair, equitable and market reflective review of embedded networks that ensures that the energy industry can continue to innovate and operate to the benefit of consumers.

SUPA Energy supports the AER's approach to its exemption frameworks assessment, noting that industry stakeholder consultation is vital to the outcomes sought by the AER as well state and federal governments, particularly on renewable and electric mobility investments in consideration of emissions targets, initiatives and mandates.

3. Is our proposed review scope reasonable? If not, what other supply arrangements should be considered and why?

SUPA Energy agrees with the AERs review scope that contemplates new, future arrangements and not existing arrangements.

Whilst the AERs assessment should reasonably focus on consumer protections and fair reflective prices, that the AERs should also focus its assessment on holistic consumer preferences and choice through market competition and innovation and in the capital investments made by exempt embedded networks service providers and exempt sellers in multi-occupancy buildings that improve property amenities and services, inclusive of renewable energy and electric mobility.

Further, it is also important for the AER to also independently contemplate the same key assessment factors (as for exempt embedded networks service providers and exempt sellers) more broadly that incorporate authorised energy retailers as SUPA Energy argues that they impact the vast majority of energy customers.

Growth in embedded networks

4. What factors are driving the increase in residential exemptions?

SUPA Energy suggests the following key factors that are driving the increases in residential exemptions:

- (a) Meeting Australia's housing demand;
- (b) Property investors, developers, owners and occupiers prefer progressive embedded networks rather than [REDACTED] retailer arrangements;

³ IPART, The future of embedded networks in NSW (see https://www.ipart.nsw.gov.au/The_future_of_embedded_networks_in_NSW) and IPART, Consumer consultation paper – Review of embedded network prices (see <https://www.ipart.nsw.gov.au/documents/consultation-paper/consumer-consultation-paper-review-embedded-network-prices-15-august-2023>)

- (c) Embedded networks deliver on integrated capital investments in building infrastructure that improve property amenities and services and reduce upfront purchaser costs, ongoing capital investment and operating costs for owners and occupiers;
- (d) Embedded networks investment in and delivery on electrification and decarbonisation. Without an embedded renewable energy network, decarbonising and maintaining decarbonisation in a multi-occupancy building is simply otherwise unachievable ; and
- (e) Future factors expected to drive increased residential exemptions are the retrofit of aged multi-occupancy, non-embedded network strata buildings that require significant capital investments to upgrade aging building assets, and required investments in renewable energy and electric vehicle infrastructure.

5. Which factors are having the biggest influence?

The key factors are:

- (a) Property investors, developers, owners, operators and occupiers prefer progressive embedded networks rather than [REDACTED] retailer arrangements;
- (b) Embedded networks integrated capital investments in building plant and equipment that improve property amenities and services, that reduce and remove upfront purchaser costs and on-going owners levies;
- (c) Embedded networks investment in and ability to delivery on electrification and decarbonisation. Without an embedded renewable energy network, decarbonising and maintaining decarbonisation in a multi-occupancy building is simply otherwise unachievable; and
- (d) Embedded networks investment in and delivery on electric mobility.

6. How common is it for new residential developments to be built as embedded networks?

It is not only common, but they have also become the new 'norm' as progressive embedded networks are preferred by property investors, developers, owners, operators and their communities for the key factors that we have responded to in Questions 4 and 5 of this submission.

Notwithstanding the imperative and obligation for exempt embedded network service providers and exempt sellers to provide affordable energy to embedded network customers, at or discounted to jurisdictional price caps, progressive embedded networks are value for their holistic proposition to multi-occupancy buildings that is far from just the cost of energy to consumers.

Benefits and harms of embedded networks

7. How do embedded networks result in lower energy prices for residential customers? Please provide supporting information.

[REDACTED]

[REDACTED]

With a capital invested, managed services business model, SUPA Energy provides affordable electricity tariffs to our residential and non-residential embedded network customers.

For our residential customers:

- (a) **Nationally, SUPA Energy provides an average residential customer discount of █% to the current DMO** across all electricity distributors:
 - (1) **In NSW, SUPA Energy provides an average residential customer discount of █% (ranging from █%) to the current DMO** across all three electricity distributors;
 - (2) **In QLD, SUPA Energy provides an average residential customer discount of █% to the current DMO;**
 - (3) **In SA, SUPA Energy provides an average residential customer discount of █% (ranging from █%) to the current DMO.**

For our non-residential customers:

- (a) **Nationally, SUPA Energy provides an average non-residential customer discount of █% to the current DMO** across all electricity distributors:
 - (1) **In NSW, SUPA Energy provides an average non-residential customer discount of █% (ranging from █%) to the current DMO** across all three electricity distributors;
 - (2) **In QLD, SUPA Energy provides an average non-residential customer discount of █% to the current DMO;**
 - (3) **In SA, SUPA Energy provides an average non-residential customer discount of █% to the current DMO.**

When comparing SUPA Energy’s discounted off-market DMO customer portfolio tariffs to those authorised energy retailer on-market offers on “Energy Made Easy” as of 31 January 2024, SUPA Energy’s discounted off-market DMO customer portfolio tariffs are favourable to authorised energy retailer on-market offers by an average of █%, █% and █% in NSW, QLD and SA respectively.

“Energy Made Easy” comparison of 31 January 2024

	Average Residential DMO Discount		Average Non-Residential DMO Discount	
	All Retailers	SUPA Energy	All Retailers	SUPA Energy

Ausgrid	11%	■	10%	■
Endeavour Energy	10%	■	8%	■
Essential Energy	9%	■	9%	■
NSW	10%	■	9%	■
QLD (Energex)	8%	■	7%	■
SA (SAPN)	6%	■	6%	■

Beyond competitive retail tariffs, embedded network service providers also invest in critical building infrastructure, plant and equipment to improve building amenities and services for owners and residents.

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

Typically, embedded network infrastructure costs in new developments are largely borne by the appointed exempt embedded network services provider and exempt seller, and are considered shared building resources, with centralised management, together with greater efficiency in electricity distributor connection agreements and tariff setting in comparison, which result in significantly less upfront and on-going costs for owners and occupiers, in comparison to non-embedded network infrastructure costs in new developments.

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

Progressive embedded networks of today represent far more to multi-occupancy communities than the procurement and sale of energy. Exempt embedded network services providers and exempt sellers continue to innovate in their propositions and services and to invest in and incur on-going costs for critical building infrastructure.

SUPA Energy does not only provide affordable essential services to energy customers in embedded networks at an **average discount of ■% (ranging from ■%) to the current DMO** across all three electricity distributors, it also provides the following benefits for residents:

- (a) Affordable essential services that are transparently discounted, and favourable to, the DMO and other jurisdictional regulated price determination and caps; without special conditions;
- (b) Reduced new connections costs and network tariffs through efficient building connection to electricity distribution networks;
- (c) Single, multi-service monthly billing for residents convenience and not having fragmented, multiple bills from multiple service providers on differing dates and difference terms;

- (d) Access to energy management tools to set consumption and cost thresholds and budget to control energy usage and costs with proactive push notifications sent mid-month to inform residents of expected monthly billing so as to avoid any bill shock, together with the ability to budget or to proactively seek payment plans in need;
- (e) Consumer protections comprising life support, hardship and domestic family violence assistance, translation services and access to every jurisdictional ombudsman scheme for external dispute resolution;
- (f) Reduced purchase, ownership and occupancy costs attributed to our capital invested in, and their cost avoidance of, in building infrastructure, that improve property amenities and services;
- (g) Satisfaction of their social conscious by supporting of our environment without the renewable energy price premium through electrification, decarbonisation and renewable energy supply;
- (h) Satisfaction of their social conscious that their building and community is supporting net positive energy buildings and our environment, through our investment in and operation of, embedded renewable energy generation and energy storage systems; and
- (i) Resolving electric vehicle charging for electric vehicle adoption, provision of electric mobility solutions including e-bikes, e-scooters and electric vehicle-as-a-service.

Benefits recognised by the NSW Legislative Assembly's Committee on Law and Safety include⁴:

- "they can deliver lower energy prices to consumers through the purchase of energy in bulk at discount rates. The Committee was told that some residents have installed embedded networks to access these lower costs." (para 2.161) "Embedded networks may be established with the aim of producing cost effective energy solutions for owners or residents by allowing the bulk on-selling of energy at a reduced cost." (para 1.13)
- "they can future proof developments by facilitating greater access than grid-connected developments to renewable energy and storage and innovative technology, including EV charging." (para 2.162)
- "they can increase energy efficiency and have decarbonisation benefits, including through increasing access to renewable energy and storage and using excess energy generated across multiple consumers." (para 2.162)
- "Embedded networks may also provide certain cost savings or technology innovation solutions and that regulatory changes should not stifle such innovation." (para 2.163)

⁴ Legislative Assembly's Committee on Law and Safety, 8 November 2022, *Embedded Networks in New South Wales* (published at <https://www.parliament.nsw.gov.au/ladocs/inquiries/2873/>)

Central batteries in apartment buildings with photovoltaics can increase solar self-consumption by up to 19% and building self-sufficiency by up to 12%, potentially reducing overall building peak demand by up to 30%⁵. Without an embedded network, individual lot owners would be required to negotiate with their owners corporation for the installation and connection of individual energy storage units, electric vehicle charging stations, and solar PV generation. Indeed, the installation of solar PV generation is simply not possible for most residential apartments without the existence of an embedded network⁶. There are clear financial benefits to the deployment of embedded networks with combined solar and battery storage systems for many sites. Cost thresholds for such systems are currently lower than for individual household systems⁷.

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

Exempt embedded network service providers and exempt sellers, like SUPA Energy, invest in the embedded network infrastructure and innovate in distributed embedded energy network design and operation of emissions reduction strategies that offers multi-occupancy residential building communities and our off-market energy customers with 100% renewable energy at electricity tariffs that are otherwise unattainable by on-market authorised retailer energy customers in multi occupier properties.

These incorporate, but are not limited to:

- Funding and operating energy efficient plant and equipment;
- Funding and operating building electrification;
- Demand Response Management;
- Embedded renewable energy generation for more net positive energy buildings, exclusive of network supply charges from electricity distributors;
- Load shifting through integrated use of battery energy storage systems to reduce peak energy costs and to reduce peak demand charges;
- Funding and operating electric mobility, e-bikes and e-scooters to electric vehicle charging to electric vehicles-as-a-service;
- Use of our energy managements services for customers to best manage their energy use; and

⁵ Roberts, M., Bruce, A., & Macgill, I. (2019). Impact of shared battery energy storage systems on photovoltaic self-consumption and electricity bills in apartment buildings. *Applied Energy*. <https://doi.org/10.1016/J.APENERGY.2019.04.001>

⁶ Roberts, M., Bruce, A., & Macgill, I. (2018). Collective prosumerism: Accessing the potential of embedded networks to increase the deployment of distributed generation on Australian apartment buildings. 2018 IEEE International Energy Conference (ENERGYCON), 1-6. <https://doi.org/10.1109/ENERGYCON.2018.8398770>

⁷ Roberts, M., Bruce, A., & Macgill, I. (2019). Impact of shared battery energy storage systems on photovoltaic self-consumption and electricity bills in apartment buildings. *Applied Energy*. <https://doi.org/10.1016/J.APENERGY.2019.04.001>

- Use of carbon offsets programs for when individual customers choose to churn-out of renewable energy in favour of fossil generated energy to preserve the sustainability credentials of the building.

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

At the heart, despite legacy perceptions, progressive embedded networks are tailored community networks that improve property valuations, sustainability, services and occupier experiences.

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

SUPA Energy operates extensively in social and affordable housing.

[REDACTED]

[REDACTED]

Key consequential benefits of our embedded networks include:

- Ability to deliver 100% renewable energy at affordable, transparent and discounted tariffs to a single community in a multi-occupancy setting;
- Ability to drive more net positive energy buildings through embedded the funding and operation of renewable generation and battery energy storage systems;
- Ability to enable electric mobility solutions for the community ranging from the funding and operation of e-bikes and e-scooters to electric vehicle charging to electric vehicles-as-as-service;
without any capital investment by building owners, managers and tenants or recovery in electricity tariffs.

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

Please also refer to our response to Question 7. of this submission.

SUPA Energy **does not** evidence the claim that embedded network customers pay higher energy prices.

From SUPA Energy’s perspective, as an exempt embedded network services provider and exempt seller, **we evidence off-market embedded network customers paying less, not more, than on-market mass market customers.**

When comparing SUPA Energy’s discounted off-market DMO customer portfolio tariffs to those authorised energy retailer on-market offers on “Energy Made Easy” as of 31 January 2024, SUPA Energy’s discounted off-market DMO customer portfolio tariffs are favourable to authorised energy retailer on-market offers by an average of █%, █% and █% in NSW, QLD and SA respectively.

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Endeavour Energy	10%	█	8%	█
Essential Energy	9%	█	9%	█
NSW	10%	█	9%	█
QLD (Energex)	8%	█	7%	█
SA (SAPN)	6%	█	6%	█

In the recent Australian Competition & Consumer Commission (“ACCC”) “Inquiry into the National Electricity Market” report, showed that in a sample of 5 million existing residential customers on market retail contracts, assuming achievement of conditional discounts, the ACCC found that, in August 2023:

- 47% of residential customers were on plans with a calculated annual cost equal to or higher than the default offer; and
- 42% of concession customers were on plans with a calculated annual cost equal to or higher than the default offer.

When capital investments in energy infrastructure and building plant and equipment, made by exempt embedded network services providers and exempt sellers, that are not recovered in the customers electricity tariff, are considered, then not only are off-market embedded network customers paying less for their electricity, they are paying less for their apartment and less in on-going fees and levies which reduce their cost of living and deliver improved amenities and services in their building.

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

SUPA Energy asserts that **the scale, extent or risk of potential harms or harms are not representative of exempt embedded network services provider and exempt sellers** and in the case where there are such instances of such harms, that these instances are the exception and limited to a minority where SUPA Energy advocates for enforcement actions where appropriate.

With respect to the scale, extent and risk of potential harms, SUPA Energy can only comment on its customer conduct and confirms that it provides customer protections, that are comparable to authorised retailer obligations and in accordance with our regulatory obligations, that do include life support, hardship and domestic family violence assistance, translation services and is a member of every jurisdictional ombudsman scheme for customers to access.

With respect to a limited compliance framework, SUPA Energy advocates for consumer protection and welcomes regulatory reform that ensures consumer protections and enforcement action.

With respect to a lack of retail competition, SUPA Energy advocates for consumer choice through market competition and product and services innovation and supports the Australian Energy Market Commission (“AEMC”) proposed reforms to introduce the role of the embedded network service provider with coordination between parties and the Australian Energy Market Operator (“AEMO”) to introduce a mechanism by which network fees within an embedded network can be settled with an on market retailer thereby removing an existing barrier that has been identified whereby on market retailers do not make offers to embedded network consumers as it would require changes to their network settlement processes.

With respect high energy prices, SUPA Energy sees **no evidence** of this as commented in Questions 7. and 13. of this submission.

15. What other harms do embedded network customers face?

As SUPA Energy has commented in our recent response to the Independent Pricing and Regulatory Tribunal (“IPART”) Draft Report on embedded networks where SUPA Energy asserted that IPART, in collaboration and consultation with the AER, focus its review of embedded networks in New South Wales on the setting and resetting of fair, equitable and market reflective regulatory price caps for hot/chilled water and relating consumer protections for embedded network customers by way of **establishing a hot/chilled water price benchmark** using the AERs energy price determinations as the foundational energy input to subsequent calculations relevant to the regulatory price incorporating energy conversion factors for hot/chilled water plant water production and reasonable retail margins.

SUPA Energy does view the potential for uncapped hot/chilled water prices as a potential harm to embedded network customers.

Potential options under the Network Guideline

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?

As stated previously in this submission, there are a variety of reviews that are being conducted or have recently been conducted in different jurisdictions and each essentially seeks to address a core set of issues that have been historically experienced within the sector. It is our view that the AER should seek to make comprehensive changes that address those issues on a national basis.

One of the core issues within embedded networks is the difficulty for consumers wishing to opt out in finding an alternative supplier of energy. This issue was examined in detail in 2019 by the AEMC. In its final report, the AEMC proposed to work with AEMO and to develop the new role of embedded network service provider. The role of embedded network service provider as anticipated by the AEMC was to facilitate power of choice by resolving this issue that is still experienced within the industry that is of network settlements as between embedded network operators and on market retailers. SUPA Energy supports further detailed analysis and consultation on the proposals put forward by the AEMC with the specific objective of addressing this, and other core issues experienced by consumers.

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?

SUPA Energy does not oppose the registration of existing deemed embedded networks provided that the proposed new registration process is not onerous and is efficiently facilitated.

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

Potential benefits of registration include greater oversight of registrants and the embedded networks that they operate, the ability for consumers within those embedded networks to verify that their operator is operating under a registrable exemption and greater awareness of regulatory compliance obligations that apply to the embedded network operators.

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?

Each embedded network is uniquely different, and it would be difficult to prescribe all customer benefits in a consistent prescribed manner. Should the AER pursue this option, it will be critical to ensure that benefits that do not fit within obvious categories are appropriately considered. The vast majority of benefits of an embedded network are consistent with the National Electricity Objective (“NEO”) in terms of consumer outcomes, benefits that flow through to the wider distribution network, and to the environment.

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

SUPA Energy suggests the following minimum prescribed customer benefits:

- That energy prices paid by embedded network customers are in accordance with the DMO;
- That hot/chilled water prices paid by embedded network customers are in accordance with a new regulatory price cap;
- That energy and hot/chilled water discounts on tariffs payable by embedded network customers, including potential for lower network fees that would be applicable, regardless of whether or not an embedded network customer were supplied by the exempt network services provider and exempt seller or by a third party authorised retailer;
- Access to EV charging infrastructure;
- Access to environmental benefits including carbon offsets and on-site renewable generation;
- Embedded network service levels and consumer protections that go beyond the current regulatory framework that are consistent with those of authorised retailers in their provision of services to on market customers; and
- the capacity for an embedded network to enable the installation and operation of additional technology that benefits the embedded network as a whole and individual consumers.

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

As noted above, it is our view that further work should be carried out with a view to increasing competition within embedded networks via introduction of network settlement process that is consistent with what is available to on market retailers. The benefit of this approach is that consumers within embedded networks who are not satisfied with their existing supplier could effectively opt out and obtain services from third party retailers. Furthermore, mechanisms could be put in place to have offers available to embedded network consumers published on the Energy Made Easy website.

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?

SUPA Energy does not object to this proposed approach.

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?

Our greatest concern in this regard is the significant potential for delay in the assessment process which may impact timing of delivery of critical housing or delay the delivery of urgent property upgrades to improve property amenity, sustainability or electric mobility.

Whilst an option may be for the AER to have one or more of our suggested minimum prescribed customer benefits as a condition of the NR2 network class

exemption, we do feel though that there are already sufficient regulatory protections in place to confirm embedded network customer benefits. An example of this is when applying to convert an existing site to an embedded network (retrofit) where, at least 85 percent of tenants must consent to the proposed retrofit, and further that the owners corporation secures the favourable majority vote of owners vote to pass a resolution to enter into the embedded network contract. For new developments in NSW, the owners corporation also has the right of 'veto', where the proposed embedded network contract does not provide sufficient customer benefit or is deemed to have onerous contractual terms.

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

SUPA Energy **does not** support stopping the expansion of residential embedded networks by closing the NR2 registrable network exemption class.

Above we have outlined the various benefits that embedded networks provide to consumers, the distribution network, and to the environment.

Closing the NR2 registrable exemption class would mean that any proposed operators would need to register with AEMO as a distributor. This would effectively mean that there are no more embedded networks within residential apartment blocks which would not deliver any positive consumer outcomes.

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.

Above, we have highlighted the various benefits that embedded networks provide and the critical role in the transition to a clean energy system and transportation system that is powered by electricity. Should the AER stop issuing exemptions for embedded networks with more than 10 residential customers, those benefits would disappear.

SUPA Energy supports measures that would increase choice for residential consumers within embedded networks as noted above. SUPA Energy also notes that prices paid by consumers within embedded networks are capped at the default market offer for electricity whereas there is no such cap when it comes to on market consumers and recent research by the ACCC has demonstrated that a significant proportion of on market consumers are paying at or above the default market offer.

Potential options under the Retail Guideline

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 on all material compliance breaches, or as reasonably required by the AER, of the exemption conditions. We believe that quarterly reporting would be appropriate for any compliance breaches.

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

SUPA Energy is supportive of the proposed performance reporting as set out in the AERs Performance Reporting Procedures and Guidelines Review Issues Paper by way of 3 reporting categories:

Contracts

- Total number of customers in embedded networks, categorised as a residential, small business or large customer types; and
- For customer within embedded networks:
 - number of customers on 'on-market' and 'off-market' contracts;
 - number of customers on 'energy only' contracts; and to include
 - *number of customers on 'life support.*
- *Number of electric vehicle charging stations (suggested)*
- *Scope 2 embedded network emissions reduction (suggested)*

Meters

- Number of parent or gate meters supplied by the retailer.

Subcategories

- ~~Energy debt~~ (suggest removal);
- *Number of and amount of Payment plans and Hardship (suggested);*
- ~~Credit collections~~ (suggest removal);
- *Number of disconnections for non-payment; and*
- *Number of Domestic Family Violence cases (suggested).*

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?

SUPA Energy would expect that the performance reporting in our response to Question 27. would not be material.

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

Yes. As noted above.

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

Yes. There is no reason that consumers within embedded network should not receive the same protections that are afforded to on market consumers when it comes to family violence.

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

Both account holder security and payment plans are feasible and appropriate. Our only note of caution is that in some instances the holder of a network exemption may not be the seller of energy at the relevant embedded network i.e. there may be more than one party involved and that the existing guideline requires registration by all parties who own, control, or operate.

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?

We do not have a specific comment on this.

Position Summary

The table below sets out, in summary format, SUPA Energy's submission.

Item	SUPA Energy's Response
Review Approach	SUPA Energy urges for a review that balances regulatory oversight with the need for innovation, advocating for a framework that allows embedded networks to thrive while ensuring consumer protection and transparency.
Regulatory Framework	Suggests simplification of the regulatory landscape to reduce compliance complexity, advocating for a single, streamlined framework that removes redundancies and clarifies operator obligations.
Consumer Protection	Emphasises enhancing consumer protection measures within embedded networks, including clear billing, dispute resolution mechanisms, and access to competitive market offers.
Innovation and Investment	Encourages policies that support the investment in and development of advanced energy solutions within embedded networks, highlighting their potential to contribute to energy efficiency and sustainability goals.
Market Competition	Argues for the removal of barriers to entry and the promotion of competitive practices within embedded networks to ensure consumers benefit from lower prices and improved services.
Stakeholder Engagement	Stresses the value of active and inclusive stakeholder engagement in shaping the regulatory framework, ensuring that the views of consumers, operators, and other industry participants are considered.

Conclusion

SUPA Energy welcomes the opportunity to lodge this submission with AER on its review of the exemption frameworks for embedded networks and the opportunity to

constructively engage with AER on ensuring consumer protections and choice through market competition and innovation through progressive embedded energy networks.

SUPA Energy advocates for consumer protection and choice through market competition and innovation and supports a fair, equitable and market reflective review of embedded networks that ensures that the energy industry can continue to develop and operate to the benefit of consumers.

Yours sincerely,

James Dunstan
Chief Strategy Officer
SUPA