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SUBMISSION - Review of the AER exemptions framework for embedded networks

In response to the AER's invitation we provide the following points for consideration in the Review. In providing our submission we have not nominated a specific question, rather we will leave it to the AER to consider where appropriate.

Disconnection – Regulatory Remedy Needed

This scenario is a customer within an embedded network has taken a retail contract with a market retailer. The customer also has separate contract for supply with the Embedded Network Operator (ENO).

Both the market retailer and the ENO issue their respective bills.

The Customer regularly pays the retailer's bill, but an issue arises for the ENO if the Customer becomes behind in their payment to the ENO to an extent that disconnection needs to be considered.

The issue is that nowhere in any regulations have we been able to find a mechanism that entitles the ENO to initiate a disconnection for default of the payment of the network component.

We promote that this needs to be addressed in any regulatory review. One potential resolution could be for the retailer to pay the ENO.

No Mandated Renewables

We submit that any requirements for mandated renewable energy or on-site solar that is not required by the entire market is an unfair impost on end users in the embedded network and in our view cannot reasonably be seen as promoting the National Electricity Objective, particularly in terms of cost. We submit that it should be left to the site operators to make decisions regarding renewable and solar.

Benefits

We support the benefits noted in section 6.1.1 and 6.1.2 in the Paper. Properly run Embedded Networks provide benefits to end users through lower price and responsive service. Under Power of Choice end users can elect to leave the embedded network, yet under our operations there have only been 2 end users that have left. One under a corporate purchase arrangement (even though we bettered their price).

Our comments below regarding "Industry Practices" may be considered as also applying to section 6.1.3.

Cost of Regulation

We submit that every effort be made to minimise the cost of compliance for the ENO. Any increase in cost has a direct and negative impact on the financial benefit available to the embedded network End User.

Industry Practices

We agree with the concerns raised in the paper in paragraph 6 on page 21 regarding the locking in of higher prices. Disappointingly, we have seen this practice many times over. Whilst there are benefits to the developer from arranging their own metering etc, there is potentially a conflict of interest that may prevent the developer from complying with the NEO when considering the energy contracts.

Potential remedies the AER may consider include requiring transfer of ownership of meters to the Owners Corp or site entity, and also limiting the initial retail energy contract length.

Questions

We encourage the AER for its efforts in this process. We are happy to be contacted to discuss any point in more detail.

Yours sincerely,

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Managing Director

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