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RE: Response to Submission for Freshwater Point Individual Exemption from Locality Planning Energy

This is the response from the Body Corporate for Freshwater Point CTS 35855 in respect of the points raised by the submission from Locality Planning Energy. All responses are relative to the paragraph numbers in the submission.

Please note that in our reply we are addressing our response in relation to AER requirements. We do not wish to address any issues which would be outside of the AER's area of compliance (such as Body Corporate Law) as we feel that there are more suitable outlets for that should they wish to be raised.

- 1. Misleading Information:** The Body Corporate has not in any way set out to deliberately provide misleading information in any respect. The Body corporate has acknowledged the oversight in applying for an individual exemption due to the delays in the physical date being pushed back until after 1st July 2015.
- 2. Unsuitable:** The Body Corporate acknowledge a delay in the registration of the site but in no way do they believe they are unsuitable as they have demonstrated a good record of passing on savings to residents as per information provided with the initial application.

There have been no issues to date from any resident and they are all benefiting from this arrangement in the order of 31 to 35% compared with the standard tariff charges from other retailers.

- 3. Mitigation of Customer Detriment:** The whole purpose of any Body Corporate setting up an embedded network is to provide the best possible outcome to the community. All bodies corporate are not driven by profits to shareholders as would be the case with retailers so generally will be able to provide savings to residents well above the typical competitive offering from any other retailer.
 - a) In terms of managing **retail contestability and competitive offers**, the Body Corporate will ensure that any resident will always receive the most competitive offers compared to what a retailer would offer to an individual customer. Currently the best individual offer from any retailer is 16% off consumption charges only (from Energy Australia) and the Body Corporate is currently delivering over 30% off the total charges for all residents.

Currently in QLD there is no way other than for a resident to "wire out" of the embedded network if they wish to seek supply from another retailer. The Body Corporate will facilitate

access for the customer but there would always need to be consideration of the cost for any work. In the event the Body Corporate was not able to provide the same charges as another retailer then there would be consideration given to assist the customer financially but this is very unlikely.

At time of conversion all residents were provided with the opportunity to advise the Body Corporate if they wished to opt out or be “wired out” of the proposed embedded network in line with the Energex process using Form 1430.

No such requests were received to opt out of the embedded network.

- b) In terms of **customer dispute resolution services**, the Body Corporate billing agent, METER2CASH, has provided further details on the dispute resolution process as attached and in accordance with current dispute requirements in QLD whilst no official Ombudsman is appointed.

There was also mention of compliance to Body Corporate Legislation (BCCMA) in the submission and we see this as irrelevant to this application to the AER.

- c) The **impact of state legislation** is in regards to the lack of the ability for a resident within an embedded network to easily access other retailer offers. As mentioned earlier the only current method in QLD is to “wire out” residents but this can be quite costly. This was addressed in the initial application.

In the event another process is adopted by the network to allow easier access (such as parent/child NMI’s in NSW and VIC) then the Body corporate will work with the relevant entities, however until such time as this exists, this is a moot point.

An important note is that with the ability to access competition is due to a physical constraint of embedded networks in QLD. These same constraint exists for any retailer who provide embedded network services in exactly the same way as a Body Corporate.

- 4. Lack of Informed Consent:** as provided in the initial application, the Body Corporate received consent from 100% of residents. While the consent may not have strictly been in context to the current requirements of the AER, the consent was freely given on the basis of an informed decision from the residents.

Information was provided in several forms including public forums, mail outs and personal contact. Information was specifically provided on the nature of the embedded network and the ability to opt out if chosen by any resident. Any opt outs would be managed through the Energex process using Form 1430 and residents would be able to retain their retailer of choice.

On this basis customers were provided with the opportunity make a fully informed decision.

In the event of a customer being disconnect for any reason does not automatically require them to be wired out of the embedded network. If the disconnection occurred (within AER guidelines) as a result of non-payment, then supply would be restored upon payment and within AER guidelines.

This site also incorporates the payment extension, payment options and disconnection protocols as required under AER Exempt Selling Guidelines and also offers Home Energy Assistance (HEAS) to applicable applicants.

In the event a customer was disconnected and did not wish to be reconnected to the embedded network, the Body Corporate would work with the resident to facilitate supply from another source.

- 5. Comparison between the Body Corporate and authorised retailers** is a very valid comparison as the comparison is not about what a retailer could offer for the whole embedded network but what a retailer would offer for an individual customer in the event the resident was able to access another retailer.

The lower charges achieved through the creation of an embedded network are primarily through a reduction in the network charge that apply to the total site as opposed to the charges that would apply to an individual resident. In terms of the overall savings, any retail economy of scale is insignificant by comparison.

This agreement has significant weight as described earlier in that currently the best individual retailer offer is 16% of consumption charge only and yet the Body Corporate is currently delivering over 30% savings. This clearly shows the ability of the Body Corporate to provide extremely competitive offers.

- 6. Inconsistency:** It may be arguable that the Body Corporate has not complied initially with the AER requirements, however it was during a period of infancy in relation to the Individual exemption process. In fact it was not ruled to have come into effect until July 2015 in QLD.

However we believe that the Body Corporate has been diligent in their responsibility to residents under the AER Guidelines and have clearly demonstrated the ability to provide long term benefits for all residents through these arrangements and confirm that we will continue to do so in future.

The Body Corporate currently has a contract in place with their retailer to protect the residents from increases other than regulated changes. With the current increase in the wholesale price of electricity, not approving the exemption for the Body Corporate would be detrimental to the residents in that they would see significant increases in their electricity charges.