



Endeavour
Energy



22 January 2024

Jessica Robinson
Director Pricing
Independent Pricing and Regulatory Tribunal NSW
By online portal

Dear Ms Robinson,

NSW DNSPs joint response: Energy prices in embedded networks (ENs)

The NSW Distribution Network Service Providers (**NSW DNSPs**) are pleased to provide this submission to Independent Pricing and Regulatory Tribunal (**IPART**) in response to IPART's *Draft Report on Energy prices in embedded networks (the Draft Report)*.

The NSW DNSPs are economic enablers for metropolitan, regional, rural and remote NSW communities:

- Ausgrid operates a shared electricity network that powers the homes and businesses of more than 4 million Australians living and working in an area that covers over 22,000 square kilometres from the Sydney CBD to the Upper Hunter;
- Endeavour Energy manages the electricity distribution network servicing 2.7 million people in homes and businesses across an area spanning Sydney's Greater West, the Blue Mountains, the Southern Highlands, the Illawarra and the South Coast of NSW; and
- Essential Energy operates and maintains one of Australia's largest electricity networks covering 95% of NSW and parts of Southern Queensland, which services over 880,000 customers.

The existing regulatory framework for embedded networks were established at a time when there were relatively few embedded networks in NSW and with specific use cases for embedded networks in mind, specifically more transient residences like caravan parks and small-scale retirement villages. However, as noted in the draft report, embedded networks are now proliferating in number and size, and several recent reviews have identified numerous gaps in the regulatory framework for embedded networks which have at times led to negative customer outcomes.

As part of our respective 2024-29 Tariff Structure Statements, both Ausgrid and Endeavour Energy propose to introduce network tariffs for embedded network connections using more than 160 MWh per annum. This ensures that any equitable addition of revenue earned from embedded networks is offset by lower charges for other customers, effectively unwinding the tariff arbitrage discount received by embedded network operators and funded by customers not in an embedded network. Our recent respective Revised Regulatory Proposals include the additional information on our embedded network tariff proposal as requested in the Australian Energy Regulator's (**AER**) Draft Decision¹. We consider that these proposals align with AER requirements and a final decision will be made by the AER in April 2024.

¹ Ausgrid (2023). Revised Regulatory Proposal TSS: [Link here](#). Please refer to page 28 onwards for EN content.
Endeavour (2023). Revised Regulatory Proposal TSS: [Link here](#). Please refer to page 70 onwards for EN content.

As outlined in our previous submission on the IPART review, our businesses welcome a balanced approach to addressing the consumer issues inherent in embedded networks. Our response to the recommendations in the draft report is as follows:

- 1. We support IPART's approach for maximum retail tariffs for residential customers within embedded networks:** This approach, determined by selecting the median of the lowest tariffs from active retailers as listed on the AER's Energy Made Easy website, is a suitable method and will support fairer retail pricing while maintaining the competitiveness and transparency essential in the energy market.
- 2. IPART's approach aligns with Ausgrid and Endeavour's proposed embedded network tariffs:** The IPART draft recommendation for maximum retail tariffs and the Ausgrid/Endeavour proposed network tariffs both seek to improve customer outcomes. Both pricing mechanisms will work successfully together in delivering these customer outcomes. While the IPART recommendation addresses the needs of customers located within embedded networks, the Ausgrid and Endeavour proposals ensure that customers not located in an embedded network will no longer subsidise the network charges of embedded network operators. It will result in an a more efficient recovery of residual network costs and help remove the unintended incentive that our tariffs give to embedded network developers.

In summary, we support the draft recommendations, including not using the Default Market Offer as a price cap for embedded network customers. We would be happy to discuss any element of our submission with you. For further information please contact:

- Ausgrid: [REDACTED]
- Endeavour Energy: [REDACTED]
- Essential Energy: [REDACTED]

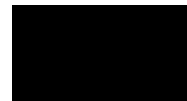
Yours sincerely,



Fiona McAnally
A/g Head of Regulation
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Emma Ringland
Head of Regulation and
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Hilary Priest
A/g Head of Regulatory Affairs
Essential Energy
