Submissions delivered via the iPart website.

Embedded Networks Independent Pricing and Regulatory Tribunal
PO Box K35 Haymarket Post Shop,
Sydney NSW 1240

ipart@ipart.nsw.gov.au

22 January 2024

IPART The future of embedded networks

Thank you for extending the opportunity for stakeholders to review and respond to the Draft Report on Embedded Networks - December 2023. As an embedded network consultant specialising in commercial, retail, and industrial networks, our responses will be tailored to these sectors. We appreciate and endorse the proposal for an increase in monitoring and enforcement efforts. Given that many of the addressed issues are residential-heavy, we recommend that corresponding recommendations be specifically targeted and applicable to residential tenants. The 'one-size-fits-all' approach may not be well-suited, and further distinctions will be required, especially for different customer types covered under various regulations, such as retail tenants governed by the Retail Lease ACT.

A widely accepted definition of on-market customers when related to embedded networks are customers who purchase electricity from their chosen retailer within the network. It is important to clarify this definition to avoid confusion, as the draft defines on-market as customers supplied from the traditional market. In this submission, the term on-market is in reference to tenants purchasing from their retailer of choice inside embedded networks.

Consultation questions and response

1. **Are embedded network sellers currently using time-of-use tariffs, demand tariffs, or any other innovative tariff designs?**

   Yes, embedded networks commonly implement various tariff structures, including time-of-use (ToU) and demand-based tariffs, especially for business customers. Default retailers in certain districts adopt seasonal or demand-based time-of-use tariffs mirroring the LNSP network tariff class. It is standard practice for embedded networks to systematically apply these tariffs to tenants, following the lead of default retailers. In line with industry practices, tenants also have the option to request a transfer to a different tariff. A fee may apply to enable billing of the preferred tariff structures.

   Depending on the billing system, remotely read interval meters should accommodate alternate tariffs with minimal administrative work. This approach ensures flexibility and accessibility for customers seeking tariff customization aligned with their energy consumption preferences.

2. **How are embedded network sellers charging for electric vehicle charging at the site? What are the prices?**

   The approach to charging for electric vehicle (EV) charging within embedded networks is typically characterised by agreements between EV operators and landlords/operators, extending beyond energy purchase. EVs usually prefer to be inside an embedded network due to its cost-effectiveness and ease of connection compared to the traditional market. Standard chargers are often categorised as small users and subjected to a bundled tariff. For chargers with a pronounced demand profile, such as fast chargers, a demand pass-through tariff is usually agreed upon to ensure the recovery of costs incurred by the embedded networks. This approach is justified by the significant contribution of fast chargers to the overall demand profile of the embedded network.

   While specific pricing details may vary, it is noteworthy that some EV operators prefer not to implement demand management strategies for their chargers to avoid any potential negative impact on the customer experience. Factors such as these are considered when determining pricing structures for EV charging within embedded networks.

3. **Would a complaints-based compliance system deliver the right level of consumer protection?**

   Certainly, a complaints-based compliance system can contribute to an adequate level of consumer protection, partnered with the Ombudsman scheme. Combining it with legal protections enhances the overall effectiveness of ensuring fair treatment and consumer satisfaction in embedded networks and establishes clear expectations for embedded network operators, emphasizing principles of fairness and transparency.

   A complaints-based system is particularly crucial where utility services serve vulnerable consumers with limited alternatives compared to business customers. The oversight provided by such a system ensures that operators are fit-for-purpose and uphold standards essential for consumer protection. Additionally, we agree that consumers of hot and chilled water should be entitled to ombudsman protection to ensure their rights and interests are safeguarded.

   It's important to note that retail tenants in embedded networks also benefit from additional protections outlined in the retail lease act. This dual-layered approach, combining a complaints-based compliance system with legal safeguards, contributes to a comprehensive framework for consumer protection.

4. **Should new non-centralised hot water embedded networks be banned?**

   At this time, we have no comment to add to this area as it falls outside the scope of our standard services and are better suited for stakeholders intimately involved in this area.

5. **Should embedded networks using gas hot water systems be prohibited in new developments to assist in addressing cost of living pressures and assist in the NSW Government meeting its net-zero policy?**

   At this time, we have no comment to add to this area as it falls outside the scope of our standard services and are better suited for stakeholders intimately involved in this area.

General Comments

Network Recover Review

A focus on streamlining market processes is crucial to support on-market network billing, enabling energy retailers to efficiently bill on-market customers. This would encourage energy retailers to provide services to tenants in embedded networks, offering competitive rates and effectively addressing retail competition issues. It is important to emphasise closing this gap. For embedded networks that comply with the Power of Choice (PoC) regime, changing providers

should be a seamless process, and the meter assets should be compliant with the National Electricity Market (NEM) standards. We have seen an increase in retailers offering SME tenants energy-only offers.

Operational Cost

The assertion that embedded networks have no retention/on-boarding costs is incorrect. Our company, along with many other operators, dedicates a substantial amount of time and resources to on-board tenants. This involves rate negotiation, ensuring tenants understand and receive essential documentation such as terms and conditions, disclosure statements, information on accessing concessions, hardship policies, etc. It's crucial to note that while some agents may opt for lower-cost methods, such as applying the standing tariff and using generic tenant notices, this doesn't negate the existence of on-boarding costs for service provision.

We also express concerns about certain recommendations. For instance, maintaining additional information on the website, such as pricing and equipment rating, and notifying tenants of price changes every six months will create additional administrative costs and customer confusion, as stability is valued by customers. The disclosure statement already includes the requirement of rates to be included. It's important to clarify that while rates may change, gate meter rates will not fluctuate with the wholesale market, as Commercial and Industrial (C&I) contracts are locked in for a longer duration.

Embedded networks are also expected to adhere to the 'Better Bill Guides,' providing a standard for billing templates, transparency to pricing, ease of understanding and reducing confusion.

Maximum Pricing for Electricity

We respectfully express our reservations regarding the proposal to reduce the maximum pricing to the median charge of each active retailer's lowest rate. The assumption that retailers typically change in July every year when updated DMO prices come into effect is not entirely correct. Last DMO, we saw many retailers update their pricing after 1 August. Scheduling the new maximum prices prior to this may not reflect market offer movements. This approach poses a higher risk for operators, particularly in affording the gate meter cost. Large market contracts often span up to three years, and recent historical events have led to unprecedented high-cost contracts and the potential future introduction of embedded network-specific tariffs. We note that Ausgrid's embedded network tariff review was residential heavy.

It's crucial to emphasize that not all embedded network operators or agents impose excessive charges. However, given the imperative for consumer protection, it may be worth considering a reduction in the default retailer standing offer. This adjustment would ensure fairness for all residential customers, whether within or outside an embedded network, especially for those not actively participating in the market, thereby promoting a fair tariff structure. We recognize the unlikelihood of residential tenants in an embedded network transitioning to on-market. Conversely, non-residential tenants categorised as small energy customers, do not fall within the vulnerable group, and can exercise their rights to choose their retailer.

Solar

Due to the limited roof space in apartment blocks and similar settings, tenants will encounter difficulty in accessing solar energy and benefiting from solar feed-in tariffs, even if they are part of an embedded network (EN).

Hot and chilled water

In response to the recommendation that sellers should be banned from charging separately for hot and chilled water, we assert that operators should have the flexibility to bill for these services independently. Allowing tenants to distinguish between different services, especially when billing cycles vary, is essential for transparency and fairness.

Moreover, it is crucial to consider distinctions between residential and business customers. In the case of a shopping centre, for instance, tenants who require water services are often businesses, particularly those in the food industry. Restricting these businesses from separate billing could lead to unintended consequences and is not suitable for this category of customers.

We would like to express our gratitude to iPart for providing the opportunity to review and respond to the Draft Report on Embedded Networks - December 2023. If you have any further questions or would like to delve into our submission in more detail, please don't hesitate to contact either myself or [redacted]. Energy Intelligence is available to offer support, providing additional data and insights within the realm of embedded networks.

Yours sincerely,

[redacted]

[redacted]

[redacted]

[redacted]

ABOUT **ENERGY INTELLIGENCE**

Energy Intelligence is a leading energy consultancy that specializes 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.

Energy Intelligence Pty Ltd

Phone 1300 277 233
Email compliance@energyintel.com.au
Website energyintel.com.au