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

Submission: IPART Embedded Networks Draft Report

To Whom It May Concern;

Network Energy Services (NES) is responding to the Embedded Networks Draft Report that relate to the future of embedded networks in New South Wales.

About Network Energy Services (NES)

NES is the leading Embedded Network Manager (ENM) and utility services billing service provider for retirement villages and over 50's land lease residential communities, assisting over 160 communities and in excess of 20,000 elderly consumers across Australia.

For the communities that our business assists, the Residents Association or Village is the Exempt Seller. In the case of Residents Associations, they are representative resident's committees who set rates for the residents within their community, and all the benefits from the operation of the embedded network are returned to the residents either directly via discounts on resident bills or benefits to the village budget.

NES is a service provider who assists Residents Associations and community operators with the operation of their embedded networks to ensure compliance to relevant embedded network, billing and consumer regulations. The on-selling of energy is incidental to the core business of retirement villages and over 50s land lease communities (including caravan parks), however our clients maintain all control in relation to price setting and discounts to their residents as the owner and operator of their embedded network infrastructure.

NES comments on the draft report, draft findings and recommendations

NES and our clients remain extremely supportive of initiatives to protect consumers of embedded networks, and we provide the following feedback to the relevant areas of the draft report, draft findings and recommendations to assist IPART's task of considering a maximum price for the sale of electricity since we have minimal involvement with hot and chilled water in NSW.

It is important to note that for the majority of embedded networks within retirement villages, over 50 land lease communities and caravan parks; the on-selling of electricity is also incidental to their core business. This is relevant to independent operators with just one embedded network, through to larger operators with multiple different sites, whether they are broad acre sites or apartment building communities. All NES clients and their retirement villages and over 50s land lease communities within NSW fit these descriptions -- they are consumer driven and managed for the benefit of their community.

On behalf of our clients and customers we offer the following information and feedback to some of the draft recommendations:

- Aged consumers living in retirement villages and over 50s land lease communities appreciate and value simple and easy to understand utility billing. Therefore single rate tariffs are prevalent across the majority of villages. Time of use tariffs are not as desirable since elderly consumers are often at home and consuming energy during business hours when peak tariffs are higher.
- As our client's embedded networks are consumer driven, the benefits are passed through to the consumers living within these embedded network communities.

- Draft Recommendation One: Setting maximum prices by benchmarking the consumption rate and supply charge to the median of the lowest retail offers will have the effect of substantially lowering the benchmark tariffs within embedded networks, however we note that there should be some level of caution applied as:
    - Retailers offer more than one consumer market offer at any one time; they could be a low usage rate and a high fixed daily rate, or vice versa. The proposal to use the median usage and median fixed daily rates is not an accurate reflection of the offers being made available. The overall discount against the DMO should be used as the basis for determining the median discount prices.
    - Retailers regularly use low-prices as a marketing ploy to attractive new customers by taking a 'loss leader' position to attract volume. These offers are often done on a short term basis, and the retailer will increase the tariffs as soon as the contract term expires.
    - Not all embedded networks are the same. The capacity of an embedded network to afford bigger discounts tends to relate to their economies of scale. Bigger embedded networks with more child connections, with fewer parent meters, have a greater ability to facilitate stronger discounts than smaller embedded networks. A benchmark tariff that is too low will be beyond the capacity for some small embedded networks to afford.
    - The price volatility of the past couple of years has been particularly problematic for clients who have fallen out of contract for their electricity supply or gas contracts. In many cases the costs have increased by 300% to 400%. When considering any price caps, consideration must be given to operators who are incurring excessive electricity and gas costs to ensure that they are not forced into a negative position to the detriment of everyone involved – consumers and operators alike. Some of the retailers who are offering strong discounts have generation arms of their business or have found themselves in a strong hedge position. For embedded networks that are locked into a bad supply contract, they have no way to extricate themselves until the contract expires.
    - If the embedded network benchmark tariff discount was too great for some embedded networks to afford, then it has the potential to send some embedded network operations into administration. This would create enormous problems for consumers in these embedded networks.
    - Some further thought is suggested to ensure that any proposed pricing methodology is fair to all retailers and exempt sellers.
- IPART's proposed categorisation for considering average indicative bill profiles may have merit, however it is important to consider that retirement villages can vary greatly; they can be broad acre communities comprising of standalone and/or duplex homes, single or multi building apartment complexes, featuring between one and three bedroom homes. Likewise Land lease communities can also vary greatly, particularly with newer villages being 'all electric.' Consumers in all electric villages can consume an average of 6,000 kWhs per annum.
- Frequency of price changes should be once a year or a maximum of once every six months. It is important to remember that there are many embedded networks operated by administration staff in caravan parks or manufactured home estates. The communication requirements within the Exempt Selling Guidelines around price changes. The administrative burden for operating embedded networks is increasing year on year, making it more difficult for independent operators to satisfy regulatory compliance.
- EV charging is becoming increasingly commonplace in embedded networks. For sites where there are Electric Vehicle (EV) charging stations are in place within embedded networks, these are either:
    - Placed downstream of the consumer's electricity meter so that any usage is recorded on a single account
    - Third party EV charging stations installed in common areas on a user pays system
- Aged consumers living in retirement villages are all receiving good discounts compared to the Default Market Offer (DMO) benchmark ceiling prices in their respective distribution areas, with consumers benefiting from embedded network operations.

- Ausgrid's 2024-29 revised pricing proposal seeks to unfairly introduce embedded network tariffs that will erode the benefits of operating an embedded network by. Embedded network operators are the entity that invests in and maintains the electrical infrastructure to create that network – everything from the point of connection to everything downstream of the parent meter. From a distributor perspective, there is only a single (or several) parent meter connection to their network. Ausgrid have no other network or metering responsibilities downstream of this parent meter. So, it should be effectively viewed the same as any other commercial connection.
- Embedded network operators have been at the mercy of a volatile energy market, with many locking in unattractive energy contracts. Smaller embedded networks with fewer than 100 consumers have their operation placed at most risk if pricing reform means that they cannot recover what they are paying for energy at the parent meter.
- Existing electricity embedded networks also continue to limited in adopting large-scale renewals due to Australian Standard (AS4777). This standard limits an embedded network to a maximum of 30kW of solar being installed before network protection equipment is required to be fitted. Retrofitting network protection equipment across a broad acre retirement village or land lease community is expensive.
- NES welcomes IPART's view that it's recommended pricing methodology should replace NCAT's 'Reckless method' calculation, further supported by the *Residential (Land Lease) Communities Act 2013 Statutory Review*.
- NES clients do not charge consumers connection or disconnection fees.
- The embedded networks that we assist are all registered with the Australian Energy Regulator (AER) for both network and retail exemptions, and are current members of the Energy and Water Ombudsman New South Wales (EWON).
- Adopting EWON as the relevant party to identify and refer potential embedded network pricing breaches to the AER would appear to be a logical course of action as part of adopting a complaints-based reporting system.
- For smaller embedded network operators where on-selling is incidental to its core business, we agree that EWON should be authorised to refer potential embedded network pricing breaches and supporting information to the regulator.
- It is important to note that consumers already receive details of the current pricing prior to moving into their home, outlined on each bill, and any changes are notified in writing prior to being applied to their bills in accordance with AER requirements. Publishing current prices on the website of embedded network operators where on-selling is incidental to their core business is not appropriate, as it is likely to only cause more confusion to consumers in such instances. This is particularly the case for elderly consumers who are less likely to use the internet. Having the option of paper copies being made available (at the village office) should also be considered as an alternative.

Network Energy Services has been assisting community Exempt Sellers for over 20 years, and we welcome any queries relating to this submission.

Yours sincerely,

Damian Arsenis

General Manager
Network Energy Services
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