

22 January 2024

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

Dear IPART

IPART EMBEDDED NETWORKS – DRAFT REPORT DECEMBER 2023

About Real Utilities

Real Utilities is a licensed Australian energy retailer established in 2017 with a promise to provide cheaper, greener, simpler energy solutions to the homes and businesses of its customers.

As a wholly owned entity of Frasers Property Australia, Real Utilities understands property to provide fit-for-purpose carbon neutral energy to customers and to Frasers Property's operations. The company has developed embedded network assets supplying electricity to over 2,000 customers and installed over 8 MW solar PV across a portfolio of residential, retail, commercial and industrial properties.

Real Utilities installs and operates its own energy infrastructure such as solar panels, batteries, and biodiesel generators, providing carbon neutral energy through a combination of renewable energy, certified carbon credits and certified renewable energy certificates to future-proof its customers' properties and operations. By benchmarking its gas and electricity rates against the current publicly advertised discount rates of each of the three biggest energy retailers in its customers' local areas, Real Utilities ensures its rates are always cheaper.

Real Utilities – and the energy it provides – is Certified Carbon Neutral under the Australian Government's Climate Active program. To find out more about Real Utilities, visit realutilities.com.au or follow us on [LinkedIn](#).

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Draft recommendation 1. Maximum gas and electricity pricing methodology for embedded networks comprise:

- A consumption charge set equal to the median consumption charge of each active retailers' lowest consumption charge (inclusive of discounts and GST) for their generally available offers
- A fixed rate set equal to the median supply charge of each active retailers' lowest fixed charges (inclusive of discounts and GST) for their generally available offers.

A separate price should be set for each distribution district, and for small business and residential customers separately.

An active retailer is defined as any retailer with at least 1000 customers in NSW that has an active offer available at the time the benchmark is calculated.

Real Utilities supports maximum gas and electricity pricing for embedded networks.

Real Utilities considers annual pricing reviews as being more appropriate than six monthly pricing reviews, as frequent price changes are considered unfavourable by customers.

Draft recommendation 2. For electricity embedded networks, an embedded network seller be permitted to apply different consumption tariffs for different time periods (i.e. time-of-use tariffs), as long as the average price does not exceed the determined consumption charge when it is weighted by the AER's Default Market Offer model annual usage profiles.

Real Utilities supports this recommendation.

Draft recommendation 3. Where customers are billed in cents/Litre, the maximum price for hot water be determined by multiplying the maximum gas consumption charge (as applicable to the customer's distribution district and whether the customer is a small business or residential customer) by the maximum common factor of 0.4MJ/L.

Real Utilities supports this recommendation.

Draft recommendation 4. The pricing methodology for hot water permit embedded network sellers to charge for the consumption of hot water in either units of water (cents/Litre) or units of energy (cents/kWh or cents/MJ).

Real Utilities supports this recommendation.

Draft recommendation 5. Where customers are billed in cents/MJ or cents/kWh, that the energy price charged, multiplied by the common factor, cannot exceed the maximum price of hot water as determined by the pricing methodology specified in draft recommendation 3.

Real Utilities supports this recommendation.

Draft recommendation 6. Regulated maximum prices for chilled water be extended to all centralised air conditioning services sold by an embedded network seller.

Real Utilities operates sites where we are charging for centralised cooling air-conditioning services based on metered kWh thermal (not kWh electrical) and charges a tariff in \$/kWh_{thermal}, with no fixed rate charge applied.

The charging methodology is a calculation based on:

- Cost of electricity to run the electric chiller(s) in \$/kWh electrical
- Co-efficient of performance of the electric chiller(s)
- System losses

The proposed recommendations do not appear to address charging based on kWh thermal (not kWh electrical).

Akin to the 0.4 MJ/L factor applied for hot water, Real Utilities would support IPART prescribing a Co-efficient of Performance factor for the purposes of calculating a maximum price for centralised cooling air-conditioning services which are billed in \$/kWh thermal (not \$/kWh electrical).

Real Utilities also operates sites where we are charging for centralised heating air-conditioning services based on metered kWh thermal (not kWh electrical) and charges a tariff in \$/kWh_{thermal}, with no fixed rate charge applied.

The charging methodology is a calculation based on:

- Where centralised heating system is an electric heat pump system
 - Cost of electricity to run the electric heat pump(s) in \$/kWh electrical
 - Co-efficient of performance of the electric heat pump(s)
 - System losses
- Where centralised heating system is a gas boiler system
 - Cost of gas to run the gas boiler(s) in \$/MJ
 - Efficiency of the gas boiler(s)
 - System losses
 - Energy units conversion factor from \$/MJ to \$/kWh thermal

The proposed recommendations do not appear to address charging based on kWh thermal (not kWh electrical).

Akin to the 0.4 MJ/L factor applied for hot water, Real Utilities would support IPART prescribing a Co-efficient of Performance factor for the purposes of calculating a maximum price for centralised heating air-conditioning services which are billed in \$/kWh thermal (not \$/kWh electrical).

Draft recommendation 7. Embedded network sellers of chilled water embedded networks be permitted to bill customers using either a consumption charge or a fixed daily rate. Sellers must use the same charging approach for all customers at a given site.

Real Utilities supports this recommendation.

Draft recommendation 8. Where an embedded network seller imposes a consumption charge for chilled water embedded networks:

- a. the maximum consumption charge in kWh is equal to the maximum electricity tariff for embedded networks, and**
- b. no additional fixed rate charge is permitted.**

Real Utilities operates sites where we are charging for centralised cooling air-conditioning services based on metered kWh thermal (not kWh electrical) and charges a tariff in \$/kWh_{thermal}, with no fixed rate charge applied.

The charging methodology is a calculation based on:

- Cost of electricity to run the electric chiller(s) in \$/kWh electrical
- Co-efficient of performance of the electric chiller(s)
- System losses

The proposed recommendations do not appear to address charging based on kWh thermal (not kWh electrical).

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The charging methodology is a calculation based on:

- Where centralised heating system is an electric heat pump system
 - Cost of electricity to run the electric heat pump(s) in \$/kWh electrical
 - Co-efficient of performance of the electric heat pump(s)
 - System losses
- Where centralised heating system is a gas boiler system
 - Cost of gas to run the gas boiler(s) in \$/MJ
 - Efficiency of the gas boiler(s)
 - System losses
 - Energy units conversion factor from \$/MJ to \$/kWh thermal

The proposed recommendations do not appear to address charging based on kWh thermal (not kWh electrical).

Akin to the 0.4 MJ/L factor applied for hot water, Real Utilities would support IPART prescribing a Co-efficient of Performance factor for the purposes of calculating a maximum price for centralised heating air-conditioning services which are billed in \$/kWh thermal (not \$/kWh electrical).

Draft recommendation 9. Where an embedded network seller imposes a consumption charge for chilled water embedded networks, the seller must provide information on the efficiency of the centralised air-conditioning system on the seller's website. The information must include:

- The Energy Efficiency Ratio (EER)
- The Coefficient of Performance (COP)
- The energy input for the last financial year
- The energy output for the last financial year
- The system's brand name or model number, where available.

Noting IPART's recommendation that a maximum consumption charge should apply to chilled water embedded networks, it is considered an unnecessary compliance obligation to require further information on the centralised air-conditioning system.

Thus Real Utilities does not support the requirement to publish the Energy Efficiency Ratio, the Coefficient of Performance, the energy input for the last financial year, the energy output for the last financial year or the system's brand name or model number.

Draft recommendation 10. Where an embedded network seller imposes a fixed daily rate for centralised air-conditioning, the maximum fixed daily rate be determined by:

- taking the annual consumption benchmark for a comparable individual air-conditioning unit (i.e. for a given system size and star rating as per the products listed on the Commonwealth Government's Energy Rating website)
- dividing it by 365 71
- multiplying it by the benchmark electricity consumption charge.

Real Utilities supports this recommendation.

Draft recommendation 11. That the NSW Government enact legislation to authorise IPART to determine maximum prices for the sale of electricity, gas, hot and chilled water to customers in embedded networks in NSW.

Real Utilities supports this recommendation.

Draft recommendation 12. That the NSW Government authorises the Energy and Water Ombudsman NSW (EWON) to:
a. refer to the regulator any complaints that EWON reasonably suspects indicate an embedded network seller may have breached an embedded network pricing determination, and
b. provide to the regulator any supporting information or documentation regarding customer complaints it receives related to embedded network sellers not complying with the maximum price.

Real Utilities supports this recommendation.

Draft recommendation 13. That the statutory framework:
a. authorise the regulator to investigate whether an embedded network seller has complied with an embedded network pricing determination
b. authorise the regulator, by notice in writing, to require an embedded network seller to provide information, documents or evidence for the purposes of an investigation
c. provide that it is an offence, subject to a monetary penalty for non-compliance, to refuse or fail to comply with a notice requiring the provision of information, documents or evidence.

Real Utilities supports this recommendation.

Draft recommendation 14. Embedded network sellers be required to publish their current prices on their websites.

Real Utilities supports this recommendation.

Draft recommendation 15. The regulator be empowered to take one or more of the following enforcement actions where it is satisfied an embedded network seller has not complied with an embedded network pricing determination:
a. directing an embedded network seller to take specified action within a specified timeframe to remedy the non-compliance
b. impose a monetary penalty on the embedded network seller and/or a person who is the director of or involved in the management of an embedded network seller.

Real Utilities supports this recommendation.

Draft recommendation 16. The statutory framework require the regulator, before issuing a direction or imposing a monetary penalty to:
a. consider the action the embedded network seller has taken or is likely to take in respect of the non-compliance, and be satisfied it is nevertheless appropriate to issue the direction/impose the penalty
b. consider whether the non-compliance has been or is likely to be the subject of any other penalty or action or any claim for compensation, and be satisfied it is nevertheless appropriate to issue the direction/impose the penalty.

Real Utilities supports this recommendation.

Draft recommendation 17. The statutory framework provide that failure by an embedded network seller to comply with a compliance direction of the regulator is an offence and is subject to a monetary penalty.

Real Utilities supports this recommendation.

Draft recommendation 18. That IPART be the regulator that determines and enforces compliance with the maximum prices for the sale of electricity, gas, hot and chilled water to customers in embedded networks in NSW.

Real Utilities supports this recommendation.

Draft recommendation 19. New hot and chilled water embedded networks are not prohibited in NSW.

Real Utilities supports this recommendation.

Draft recommendation 20. The NSW Government consider imposing additional disclosure requirements as part of its action to improve disclosure and consumer awareness for prospective purchasers and tenants under the Embedded Network Action Plan.

IPART's proposed maximum pricing framework is an appropriate approach to protecting customers.

In this context additional disclosure requirements are an unnecessary compliance obligation which will not improve protections for consumers.

Thus Real Utilities does not support this recommendation.

Regards,

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Real Utilities

