



22 January 2024

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

Sydney Community Forum (SCF) and the Voices for Power leaders appreciate the opportunity to provide feedback on the draft report on embedded networks.

Sydney Community Forum is a regional community development organisation that has worked towards social justice, inclusion, and sustainability outcomes for disadvantaged and marginalised communities in Sydney since 1974. Through the Voices for Power project, in the past seven years, along with migrant community leaders and in collaboration with Sydney Alliance and its partner organisations, we have worked very closely with hundreds of Culturally and Linguistically Diverse (CALD) community members, privileging their voices in climate justice and energy inclusion. In the last three years, through our targeted and co-designed energy literacy program, we have listened to the most marginalised members of the migrant communities in Sydney, most of whom are renters and low-income households.

We are not writing this submission as pricing experts but to voice our equity concerns based on our lived knowledge. We want to emphasise that migrant communities and new arrivals, as renters at high-density apartments, are at increased risk of being locked out of the energy retail market flexibility as they lack the understanding of the complex energy system and the agency to negotiate.

We are writing this submission, co-written by the following Voices for Power (VfP) leaders.

List of signatories

[Redacted list of signatories]

We appreciate that the IPART draft report on embedded networks acknowledges the inequity in the pricing for embedded network customers, and we welcome the draft decision to ensure equity in the pricing methodology. At Voices for Power, we have campaigned for our communities to have access to clean and affordable energy in the last seven years. Our listening sessions confirm IPART's observation as many of our low-income renters are locked in embedded network energy contracts, denying them the choice of cheaper market offers.

Also, there is a lack of transparency for the end-user regarding the calculation and rationale for lock-in prices and contracts. This systemic complexity denies the agency for low-income, disadvantaged communities to make a learned choice before entering such rental agreements. The competition in the rental market and the new migrants' challenges in navigating the complex lexicon of the Australian energy system add to this problem.

In this context, while welcoming the recommendations on the new price benchmarking methodology, we ask for:

- Incorporating and strengthening ethical compliance for customer protection
- More investigation on the existing pricing models in embedded networks
- Simplicity in the messaging and more targeted communication for renters regarding their energy rights
- Policy coherence

Incorporating and strengthening ethical compliance for customer protection

The number of network exemptions for embedded networks is on the rise. AER reports a 209% increase in the approvals, mostly NR2 exemptions¹. Given the increasing uptake of these exceptions and the possible growth in high-density apartment complexes, the principles of such exemptions need to be revisited. We understand that this is in the remit of AER, and we ask IPART to incorporate a recommendation for ethical compliance for customer protection.

We acknowledge the increasing scope of embedded networks to embrace renewable energy and support Australia's net-zero targets. Also, there is potential for community-owned benefit-shared models within these networks. However, it must be ensured that the benefits of such models are passed on to the end users, including renters. While the network and retail law exemptions offer flexibility over the regulatory framework and enable a community-owned model, customer protection is not at the forefront of these exemptions. This ethical compliance is essential as the exemptions are allowed based on the principle that these networks are non-profit models. Moreover, a regulatory benchmark maximum price without the ethical commitment to pass the benefits to customers won't be different from the 'default market offer' model.

In light of this, we ask to specifically mention a disclosure on ethical compliance for customer protection, in recommendation 20. We also ask that IPART recommend the regulator give more weight to consumer protection principles in assessing network exceptions and mandate ethical compliance for customer protection.

More investigation on the existing pricing models in embedded networks

"I live in an accommodation managed by the University. Even though I pay the rent and hold the electricity account, I am not allowed to change the energy provider. Through Energy Made Easy, I found that I could save up to 40% of my energy bill by switching the provider. However, I am not allowed to".

(story from one of the Voices for Power community listening sessions held in Parramatta.

Our listening sessions suggest that several embedded network customers are locked out from the benefits of market offers and competitive prices. Moreover, many don't understand the pricing system and are forced to abide by rental agreements.

We welcome the draft decision to regulate the pricing for embedded network customers based on the median of all active retailers' lowest tariffs, fixed and consumption. While this decision ensures a lower benchmarking of prices and sets a maximum price, this will not ensure agency and market

transparency for households connected to embedded networks. Given the fluidity and competition in the energy, the retail market offers opportunities for shopping around for better offers. Our observations from the high-density apartment complexes suggest customers are locked into an inflexible contract. For example, many retailers promote retention offers for ongoing customers and disconnection charges exemption while moving to a new address. Customers moving into an address within an embedded network will be denied such market offers.

In addition, the benefits of parent meter-based single network tariff and reduced infrastructure cost for the strata are not passed on to the end-user. AER's Review of the AER exemptions framework for embedded networks also confirms this lack of clarity on the benefit share¹.

In light of this, we ask for a comprehensive inquiry into the existing pricing models practised in embedded networks.

Simplicity in messaging and acknowledging the complex intersectionality

For migrant communities, embedded network energy price is not a standalone issue. It has complex intersectionality with their struggles of settling down and the pressures of meeting everyday needs. Most importantly, new arrivals have complicated relationships with real estate agents and landlords, and their agency to negotiate a fair energy price is limited. A highly competitive rental market creates a further disadvantage for new arrivals.

Addressing the complex intersection of tenancy, economic, and knowledge challenges requires a holistic approach. We are worried that these challenges will not be adequately considered in policy development. Given the national significance of changes in energy supply and costs affecting daily lives, a deficit-based traditional top-down community engagement strategy will not suffice. Merely translating information will not address the engagement gap. We strongly advocate for dedicated investment in sustained, grassroots-level engagement with CALD communities. There is a lack of trust, and people are confused about the credibility of information reaching them.

In light of this, we ask for a recommendation to ensure clarity and simplicity in the messaging around pricing in embedded networks. To address the knowledge gap, the regulator should ensure that renters have access to such information in migrant languages from easily accessible, trustworthy sources.

Policy coherence with other energy policies

As community members keen to engage in energy equity, with several policies and strategies in the making, we find it exhausting to keep pace with them. Regarding embedded networks, along with IPART's consultation, AER is seeking feedback on their review of the exemption framework for embedded networks. We want to make sure that our voices are heard, and thus, we ask for a more streamlined engagement process and coherence across energy policies.

We sincerely appreciate the opportunity to contribute to IPART's draft report on embedded networks and hope our recommendations will be considered seriously. If you have any questions about our comments in this submission or want to discuss this further, please contact [REDACTED]

¹ <https://www.aer.gov.au/system/files/2023-11/AER%20-%20Review%20of%20the%20exemptions%20framework%20for%20embedded%20networks%20-%20%20Issues%20paper%20-%2030%20November%202023.pdf>