

6 April 2023

Independent Pricing and Regulatory Tribunal
PO Box K35
HAYMARKET POST SHOP NSW 1240S

Submission: Draft Terms of Reference - The future of embedded networks in NSW

To Whom It May Concern;

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

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. We welcome the NSW Government's recommendation to review pricing protections for consumers supplied by electricity, gas, and hot or chilled water embedded networks, as the retirement and Over 50's community sector has led the way in providing benefits to consumers within their embedded networks.

For the communities that we assist, 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 village, 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.

We consider it important that IPART is made aware that embedded networks can provide significant benefits to consumers in certain situations when the best interests of end-user consumers are placed at the forefront of decision making. In particular, we refer to the hundreds of utility services on-selling 'communities' that are established for the benefit of residents, particularly retirement villages and over 50s land lease communities. Low income, elderly consumers living within these on-selling communities consistently receive competitively priced utilities, together with tailored customer service provisions for ageing consumers, while also reducing their common area costs.

In the recent Embedded Network Review in Victoria, after considerable consultation by the Victorian Government, their reforms focused on the problem sector which related to apartment buildings and residential estates – whereby external embedded network companies or retailers were obtaining the rights to sell electricity to consumers and then selling energy, hot and chilled water (air conditioning) at rates of their choosing.

It is important to consider that Retail and Network Exemptions were initially created where the sale of electricity was incidental to the core business of the Exempt Seller. For retirement village operators and resident's associations, the sale of electricity is clearly incidental to their core business. Conversely, selling energy is the core business of companies and retailers who seek to obtain the rights to sell energy into embedded networks.

NES is a service provider who assists Residents Associations and village operators with the operation of their embedded networks to ensure compliance to relevant embedded network, billing and consumer regulations, 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.

"Australia's first accredited Embedded Network Manager"

NES and our clients are extremely supportive of initiatives to protect consumers of embedded networks, and there are some additional considerations we would like to bring to your attention when finalising the terms of reference prior to conducting any review:

- Electricity distributors in NSW are currently seeking to introduce new embedded network specific tariffs via their 2024-2029 Pricing Proposals (Ausgrid & Endeavour Energy). If successful, they will severely erode any benefit of operating an electricity embedded network, and in turn, negatively impact on operators and consumers. Lowering the price cap for embedded networks will be impractical if additional network charges are lumbered onto the parent meter costs.
- When assessing potential consumer benefits available to those in embedded networks, also consider who the beneficiaries of those benefits currently are (i.e., retirement village vs residential apartment), or whether it is a separate party / retailer who benefits from the on-selling (i.e., consumer versus business utility on-selling)
- The energy price volatility of the past year 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.
- Since the Exempt Seller needs to maintain the electrical, hot water, and metering infrastructure within their communities, then operators and resident associations need to invest in this infrastructure. As such, due consideration should be given to the maintenance costs of their internal network infrastructure when considering pricing. This is particularly the case where there is solar within an embedded network as there are network protection / secondary protection requirements from the DNSP whereby all solar systems need to connect to a Central Protection Unit (CPU) in the Main Switchboard, once 30kW has been exceeded.

Network Energy Services has been assisting community operators over 20 years for various embedded network utility services, including electricity, air conditioning (chilled water), potable water, recycled water and hot water - we are not involved on the on-selling of gas.

NES looks forward to engaging with IPART further once the review commences.

Yours sincerely,

Damian Arsenis
General Manager
Network Energy Services

