Embedded Networks Review

Response to themes/questions raised at the Draft Recommendations Report webinar 22 July 2021

Why isn't the Panel recommending establishing the licensing regime as soon as possible to ensure equivalent safeguards for consumers and to enable a transparent operating environment for new entrants?

Although the Panel considers a licencing regime to be the preferable vehicle for reform, legislative and regulatory processes mean it will take a significant period of time to establish the new framework.

Therefore, the Panel is recommending changes to the General Exemption Order (GEO), an instrument made pursuant to the *Electricity Industry Act 2000* (Vic), as an initial step. This is because it is easier to amend the GEO in the short term and will ensure consumer protections are strengthened and benefits will be passed onto consumers sooner.

Can legacy embedded networks be captured in the new licencing framework sooner than recommended by the Panel?

The Panel's draft recommendation is that legacy (existing) embedded networks should be operated by a licensed Local Energy Service (LES) provider within three years of the date the licensing framework is established (i.e. by late-2026 to mid-2027). This reflects and accommodates some of the complexities legacy embedded networks are likely to face around retrofitting and existing contracts.

The Panel is seeking feedback from stakeholders on the proposed implementation strategy, including timing for the introduction of the new licensing regime.

How will the ESC be funded to manage the new licensing arrangement and compliance monitoring for embedded networks?

Throughout the Draft Recommendations Report, the Panel highlights the importance of enabling the ESC to be adequately resourced to effectively carry out its new functions relating to private networks.

How will entities currently operating embedded networks under a retail licence (rather than an exemption) be impacted by the changes?

Initially, entities operating embedded networks under a retail licence will need to make sure that they are meeting any relevant regulatory obligations (either under their licence or changed requirements under an amended GEO). One of the reasons the Panel has proposed changes to the GEO is to ensure that customers in embedded networks have equal or equivalent protections to customers who are serviced by licensed retailers and distributors.

In the longer term, the Panel proposes that those operating under a retail licence will be required to obtain a separate LES licence in relation to the supply and sale of electricity within a private network because the licence conditions are different to a retail licence (having both retail and distribution components).

How much renewable energy per apartment will be required to meet the new renewable energy requirements?

The Panel recommends that sites with a residential private network should have renewable or other clean energy that delivers carbon emissions reduction in line with the Victorian Government's policy. This might include renewable energy generation, energy storage, demand management and energy efficiency technologies. As some sites may not be able to accommodate renewable or clean energy technologies, the Panel notes that these obligations can also be met through the purchase of energy derived from renewable energy sources from the market.

The Panel has not yet settled on a preferred approach for private networks to demonstrate they meet the renewable energy requirements (such as targets or thresholds) and invites stakeholders to provide their views on the most appropriate and efficient mechanism/s to achieve this reform.

How are the benefits of the renewable clean technology investments intended to be demonstrated?

The Panel is proposing that private networks should be required to demonstrate how benefits derived from renewable or clean energy (as well as other benefits, for example, bulk purchasing) are passed on regularly to customers within the site. However, the Panel has not settled on a view on how this should be demonstrated.

The Panel invites stakeholders to provide their views on how to establish a reasonable pass through of renewable energy financial and other appropriate benefits to customers and how the regulator may monitor and ensure these benefits are passed through to customers. The Panel asks that stakeholders be as prescriptive as possible in providing any feedback.

What can be done to prevent owner/operators from stopping the installation of solar panels simply for aesthetic reasons?

The Panel's recommendations are intended to encourage the uptake of renewable energy options within embedded networks. Although the Panel can't require site owners/operators to allow solar panel installation, in the future, sites with a residential private network will be required to meet the renewable energy requirements and to show how the benefits are passed through to customers. The Panel notes that this may discourage the rejection of solar panels for aesthetic reasons.

How much lead time will be given to allow legacy networks to implement compliance with any new consumer protection obligations under the GEO?

The Panel's draft recommendation is that amendments to the GEO should be implemented by June 2022.

Why is the Panel recommending a different pathway to the AEMC's recommendations?

The Panel has considered the AEMC's recommendations and supports those that align with the Terms of Reference and the Panel's vision, including extending customer protections to legacy (existing) embedded network customers and requiring all class exemptions to be registered. In instances where the AEMC's recommendations did not algin with the Terms of Reference and/or the Panel's vision, an alternative approach has been proposed.

A summary of how each of the Panel's draft recommendations intersect with the AEMC's approach is available in Appendix 5 of the Draft Recommendations Report.

What is the framework to assess the change in metering infrastructure to allow consumers access to retail choice?

The Panel's vision is that all consumers, regardless of where they live or how they get their electricity, will be able to participate in the retail market. However, the question of when and how this can be achieved remains.

The Panel encourages stakeholders to provide their views on the most appropriate and reasonable approach to facilitate the upgrade or changing of meters and/or internal infrastructure, including feedback about reasonable funding approaches and timeframes.

One of the most cost-effective methods to deploy electric vehicle (EV) charging for an apartment resident is to supply the EV charger via the common property and to have a cost-allocation from the Owners Corporation rather than a direct individual connection. Requiring a direct connection with a nationally compliant meter to enable retail market access for the EV connection would likely be costly and negatively impact EV uptake in apartment complexes. However, it appears this may be required under Recommendation 8?

The Panel's recommendations relating to retail market access (Recommendations 8 and 9) are aimed at ensuring customers can access a choice of retailer for their dwelling electricity supply if they would like to do so. The Panel's intent is not to limit other forms of electricity supply (such as the possibility of a common EV charger connection).

The Panel are keen to hear from stakeholders on all renewable energy aspects, including any information about possible unintended consequences from the recommendations.