

Embedded Networks Review Final Report

Summary of stakeholder submissions on the Draft Report

The Expert Panel – Embedded Networks Review (Panel) released a Draft Recommendations Report (Draft Report) in June 2021, seeking industry and community feedback to the identified issues and questions posed. The Draft Report was released through the Government’s online consultation platform, Engage Victoria.

The Panel held a Draft Report webinar on 22 July 2021. There were 67 participants for the webinar. Submissions on the Draft Report closed on 6 August 2021.

DELWP received 50 responses to the Draft Report, including answers to short and long questionnaires as well as written submissions. The responses were from a broad range of stakeholders:

- 16 individual consumers (30.6%)
- 3 consumer advocacy groups (6.1%)
- 24 industry stakeholders (including embedded network operators, energy retailers, distributors and industry groups) (49%)
- 7 others including local government, Energy and Water Ombudsman (Victoria) (EWOV), Australian Energy Market Operator, Energy Safe Victoria, Green Tech and Monash University (14.3%).

Overview and key points from submissions

Overall, submissions from stakeholders broadly support implementing changes to improve embedded network customers’ access to competitive retail offers, consumer protections and concessions.

There was also broad support from stakeholders, including industry and consumers, for the proposed licensing scheme for Local Energy Service (LES) providers. The submissions showed general support for the renewable or clean energy obligations. However, some submissions queried who would pay for the cost of infrastructure upgrades in legacy (existing) embedded networks to meet the renewable energy obligations and a number of submissions highlighted the need for clarity around the renewable energy obligations.

Stakeholders were also concerned about the lack of transparency around bundled services, flagging that bundled services could be used as a profit-making exercise by providers. On these points, the submissions highlighted that the recommendations should be prescriptive enough to address these issues.

There was stakeholder divergence on some other points, particularly on timeframes for retrofitting legacy (existing) embedded networks. Submissions suggested various timeframes for retrofitting of legacy (existing) embedded networks, ranging from those who support immediate implementation to those who support more extended timeframes.

What we did with stakeholder feedback

Submissions covered the full range of issues, topics and recommendations in the Draft Report.

All the submissions were reviewed and key points in each submission were categorised against the relevant recommendations and into thematic areas.¹

Together with the stakeholder feedback from the Issues Paper, the feedback from the Draft Report was used to refine the Panel's final recommendations and to develop the Final Recommendations Report (Final Report).

Key feedback themes

1. Transition to a 'local energy service' (LES) licensing framework

"SCA (Vic) broadly supports the establishment of a new licensing category for energy providers selling into private networks in the Local Energy Service (LES) designation, especially where this relates to the protection of consumers wishing to stay in existing embedded networks." – Strata Community Association (Vic)

"The current lack of regulatory oversight and monitoring for embedded networks has resulted in unequal treatment of embedded network customers compared to on-market customers in Victoria. We support the expansion of the licensing framework under the Electricity Industry Act 2000 (EIA) to include a new category for 'Local Energy Service' (LES) providers. The licensing framework and obligations enhance customer protections and sets a higher standard for compliance and enables more enforcement opportunities by regulators." – Citipower, Powercor & United Energy

"Given the nature of energy as an essential service, it is appropriate to do away with exemptions for businesses supplying and selling energy in private networks and instead require these providers to obtain a licence from the ESC, which requires them to demonstrate that they possess the capacity to deliver services." – Consumer Action Law Centre

"Government needs to treat embedded networks like the normal electricity market so that customer benefits such concessions and rebates can be applied regardless of how the customer is connected." – Embedded network customer, Owners Corporation Committee Member

"City of Melbourne supports the establishment of a licensing scheme through the proposed 'Local Energy Service' (LES). We believe such a scheme would help create a clearer regulatory environment for private network operators to navigate and better ensure the benefits are passed onto consumers." – City of Melbourne

"The Group supports the creation of a licensing framework for embedded network operators that replaces the current exemption framework to improve consumer protections. This framework should be harmonised with the proposed AEMC Embedded Network Framework and rule changes proposed in Updating the regulatory frameworks for embedded networks." – Embedded Network Industry Action Group

"As Real Utilities is already a licenced energy retailer by the ESC, adoption of the LES is not considered to enhance the protections, benefits and access to competition already provided to our customers." – Real Utilities

¹ Stakeholder quotes from submissions are as provided to the Review, including any grammatical or spelling errors.

What we heard

Overall, there was broad support from stakeholders, including industry and consumer representatives, for the proposed licensing scheme for LES providers. The reasons provided in the submissions for supporting the licensing framework are aligned with the vision of the Panel and were reaffirmed throughout the submissions.

Submissions supported the proposed LES licensing framework because it:

- a. Provides greater consumer protections, that match protections afforded to on-market customers
- b. Provides a strengthened regulatory regime (compliance, monitoring and enforcement) to ensure quality service, greater reliability of service and greater protections for consumers
- c. Protects consumers with access to independent dispute resolution through EWOV
- d. Empowers consumers of embedded networks (which will subsequently be referred to as 'local energy networks'), including vulnerable consumers, with greater choice of retailers, price and access to market offers, including renewable energy options or an 'ethical' retailer
- e. Removes the risk of local energy network customers being stranded indefinitely inside a local energy network
- f. Facilitates energy costs savings from renewable energy to be passed onto customers by incentivising the use of renewable energy
- g. Provides consumers with the ability to contribute to protecting the environment (i.e. wider, non-economic benefits).

A large proportion of the submissions raised the issue of vulnerable consumers who are being disadvantaged in the current framework and viewed the proposed move to LES licensing as a step to address this gap. Stakeholders are supportive of a transitional approach to implement the ban, initially via a revised General Exemption Order (GEO) followed by a new licensing regime.

While supporting the move to a licensing regime, some stakeholders also noted the need to align changes as closely as possible to the proposed Australian Energy Market Commission (AEMC) changes to reduce potential differences in the national and Victorian regulatory obligations.

Some stakeholders indicated replacing the exemptions framework with licensing would not provide benefits to consumers. Some providers noted they were already licensed and so already provide protections aligned with licensing requirements to their customers or raised concerns that a move to licensing would entrench existing anti-competitive behaviours.

Our response

The Panel has maintained its recommendation of introducing a licensing framework for new local energy networks, to give effect to the election commitment and to ensure equity and fairness for customers. The Panel is aware of the challenges for current embedded network operators to transition to a new licensing framework and has devised short and long-term transition processes.

Despite some criticisms of the proposed move to licensing, the Panel maintains its view, supported by most stakeholders, that a move to a fit-for-purpose LES licensing regime is the most appropriate way to ensure parity in customer protections and effective monitoring, compliance and enforcement for local energy networks.

In the short-term, a revised GEO will require legacy (existing) embedded networks to update their exemption registration with the Essential Services Commission (ESC) by 31 December 2022, declaring that they are able to comply with relevant requirements, including meeting a renewable energy requirement by 2027.

To give long-term and ongoing effect to the ban, the *Electricity Industry Act 2000* will be amended to enable licensing of LES providers. Under both the revised GEO and the licensing framework, LES providers must satisfy conditions requiring them to ensure equal customer protections and demonstrate that benefits of renewable or clean energy will be regularly passed on to consumers.

2. The Panel's more expansive approach to renewable energy

"We are also supportive of the Panel's decision to focus on requirements for private networks to incorporate 'renewable and clean energy technology', rather than limiting to microgrids. This is a sensible decision, which will allow the definition to encompass new and evolving technologies in future." – Consumer Action Law Centre

"We support the proposed requirements that LES providers demonstrate renewable/clean technology solutions and how these will benefit consumers through bulk purchasing or installation. We consider these new requirements will support greater benefits for embedded network customers as well as serving the Government's policy intent to support the continued development of microgrids." – AGL Energy

"We strongly support the proposal to introduce a positive scheme of regulation for 'Local Energy Services', and support in principle the proposed scope of the scheme to authorise 'renewable or clean energy options or technologies that help with carbon emission reduction' in line with Government policy." – Monash University

"Our view is that the requirements of installation of renewable or clean energy and the licencing of the sale of energy within an embedded network should not be intermingled. Any renewable or clean energy technology requirement should be site specific and, given the rapid development of new technologies, should be technology neutral." – WINConnect

"Our preference is that the minimum requirements are very clearly defined to ensure that embedded network providers understand the expectations from the beginning and the objectives of this market transformation are delivered soundly and not exploited due to ambiguity in the rules." – Energy Locals

What we heard

The submissions showed strong support for the more expansive interpretation and approach to renewable energy, extending beyond the original concept of 'microgrids'. For example, the City of Melbourne, the Consumer Action Law Centre and AGL acknowledged the benefits of this approach.

In their view, the inclusion of a range of renewable energy options and clean energy technologies will allow for:

- future technological evolution
- acceleration of renewable energy uptake
- reduced carbon emissions.

These aims were also widely supported by other submissions.

Monash University also emphasised the importance of the scheme authorising the "full range of activities involved" to provide a Local Energy Service, and so that activities are not defined in such a way as to create a barrier to distributed clean energy technologies.

The submissions were very supportive of the suggested approach to licensing (LES scheme), despite additional costs that might result from the renewable energy requirement.

Stakeholders consistently asked for greater guidance and clarity around how an LES licensee (and an exempt person under a revised GEO) could satisfy the renewable or clean energy requirement, with a small number of submissions providing indicative measurement thresholds. In particular, these submissions asked for clarity around:

- How the renewable energy requirement would be measured and demonstrated
- How benefits would be passed onto consumers
- How retrofitting costs would be covered.

Some of the submissions were less concerned about how the benefit sharing would be demonstrated, but were adamant that the incentive to “go green” be implemented. Many of the submissions flagged the challenge of showing benefit sharing and agreed that requiring a renewable energy component was a step in the right direction, irrespective of how effectively it could be shown.

Suggestions were made as to what kind of renewable energy requirement might reasonably and practically be implemented for local energy networks, with some submissions providing potential thresholds. The submissions also emphasised that cost limitations and physical space limitations must be considered in the Panel’s final recommendations.

Our response

The Panel heard stakeholder support for a more expansive approach to renewable energy that extends beyond microgrids. The Panel is also aware of the Government’s commitment to encourage renewable energy uptake and wider technology innovations as a key pillar of Victoria’s approach to carbon emissions reduction.

The Panel has maintained its broader, technology-neutral approach to renewable energy and has recommended that new residential local energy networks can only operate if they can demonstrate that 50% or more of electricity consumed at the site is met by on-site renewable sources, in line with the 2030 Victorian Renewable Energy Target (VRET).

3. Implications for legacy (existing) embedded networks

“The best solution to disgruntled customers is to allow frictionless exit from embedded networks.” – Embedded Network Industry Action Group

“We support this proposal and the timeframes outlined. We consider the move to a licence to be a necessary step to providing a baseline for consumers within the energy market to access equivalent rights and protections (including access to external dispute resolution) regardless of the way their energy is delivered.” – EWOV

“As a mere ancillary service, VicParks rejects the proposed implementation of a further and additional layer of regulation and compliance with the introduction of a Local Energy Service license. This additional regulation creates another layer of complexity for a sector already overwhelmed with regulation for no discernible customer benefit within the caravan park sector.” – Victorian Caravan Parks Association

What we heard

Generally, there was broad support from stakeholders, including industry and consumers, to transition legacy (existing) embedded networks into a new LES licensing framework. A minority of stakeholders did not support this transition.

Embedded network customers expressed concern at the prospect of any delay in being able to choose their preferred retailer. Consistent with submissions received on the Issues Paper, embedded network customers once again expressed feelings of being ‘trapped by unmotivated, irresponsible or underhanded energy providers and unable to act or get help’. Individual consumers expressed the view that existing embedded networks should transition sooner rather than later. One consumer suggested 18 months and believes that there has already been sufficient time for the industry to plan for a transition.

Whilst there are some differences of opinion in how legacy (existing) embedded networks could be transitioned into a new LES licensing regime, industry and consumer stakeholders support improved access to market competition and customers having a practical (not just theoretical) choice of retailer. Generally, industry and consumer stakeholders also support any upgrade for legacy (existing) metering to be consistent with national standards and current requirements.

In terms of a possible timeframe for retrofitting non-compliant metering infrastructure, there was not a consensus view. Suggestions from stakeholders ranged from: 1) as soon as possible; 2) between 12 and 24 months; 3) within 3 years; 4) within 5 years; to 5) ‘at a meter’s end-of-life’.

The most common stakeholder preference came from industry for a maximum timeframe of ‘3 years after obtaining a LES licence’. This preference supports, and is aligned with, the Panel’s vision. Consumer advocates were concerned that an extended period of time of 5, 10 or 15 years (at a meter’s end-of-life) may not be in the best interests of some vulnerable consumers. These are consumers who – depending on their financial position, age, health and wellbeing – may be trapped in an embedded network until they relocate or die.

Some industry stakeholders noted that the cost to retrofit metering assets may be high and perhaps beyond what some small, older legacy (existing) sites could afford to pay. Industry stakeholder submissions also sought further information on how metering upgrades could be funded. Further, some industry submissions noted potential high costs associated with requiring infrastructure upgrades in legacy (existing) sites (required to support full access to retail choice for customers in those networks).

Individual consumers and consumer advocates highlighted that metering upgrade costs should not flow on to consumers, but should be shared fairly among all relevant parties, or paid by industry. Industry stakeholders generally noted that costs should be shared rather than being borne solely by industry.

Our response

The Panel recommends that legacy (existing) embedded networks update their exemption registration with the ESC by 31 December 2022, declaring that they are able to comply with relevant requirements, including the ability to meet the renewable energy requirement within three years after the LES licencing framework is established (i.e. by 2027).

Legacy (existing) embedded networks that do not update their registration after the cut-off date of 31 December 2022 will be subject to the same regulatory requirements as new local energy networks.

There will be three implementation pathways for how new and legacy (existing) embedded networks will be regulated.

Whether a site is classified as ‘new’ or ‘legacy’ will depend on registration by the cut-off date as described below:

- For new residential sites, the embedded network will be banned if the operator cannot meet the on-site renewable energy generation requirement. This means customers must be grid-connected, so they can access standard retail market offers and customer protections.
- For new residential sites, if the operator can meet the on-site renewable energy generation requirement, a local energy network will be allowed, with improved consumer protections, retail choice and regulatory oversight.

- Legacy (existing) embedded networks can continue to operate, with stronger obligations imposed on the operator. This means customers will have additional customer protections, choice of retailer and pathways to renewable energy.

4. Consumer protections and dispute resolution

“We welcome enhancements to customer access to independent dispute resolution. Complaints about embedded network operators that aren’t EWOV members continue to comprise a significant proportion of our out of jurisdiction cases. In 2020/21, they accounted for 17% for all such cases, which was a 2% increase on the preceding financial calendar year and second only to solar installations, which accounted for 30% ... we are cognisant of the need to ensure all Victorian consumers have access to consumer protections (including access to external dispute resolution) regardless of their energy choices. This is a necessary and time critical next step.” – EWOV

“HAAG has heard reports of older residents of retirement villages knowing they are eligible for concessions or rebate but being unable to navigate the user-unfriendly system. Some people reported giving up and missing out on financial assistance they have a right to. Others reported that they were the only resident in their village with a computer and the digital literacy skills, so had to go through the process for all her neighbours. Concessions should be applied automatically, and embedded network providers should be obliged to disclose to customers concessions information.” – Housing for the Aged Action Group

“EnergyAustralia supports the general principle that all consumers should have the same or equivalent protections no matter where they reside. We support an uplift in consumer protections for private network customers, where it makes sense.” – EnergyAustralia

“The AEC and its membership support an improved consumer protection regime for embedded networks, and equivalent consumer protections for both benefit of customers and a level playing field for providers. Consistency of business requirements helps make the delivery of consumer protection at lowest operating costs (that are ultimately borne by consumers) whilst still delivering equivalent outcomes.” – AEC

What we heard

Similar to the consultation process on the Panel’s Issues Paper, embedded network customers expressed a high level of distress and frustration relating to living in embedded networks.

Consumers shared their experiences about feeling ‘trapped’ in an arrangement which they variously described as ‘demoralising’, ‘not right nor fair’, ‘anti-competitive’ and lacking transparency, where they are forced to pay high energy rates with no say or input.

In principle, most stakeholders are strongly supportive of consumers having the same or equivalent protections as on-market customers, including access to independent dispute resolution services.

Consumer groups also noted the need for stronger protections for vulnerable consumers living in retirement villages and caravan parks, where there are commonly unequal power dynamics between village or park operators and residents.

Our response

The Panel recognises the need for enhanced consumer protections to be implemented as soon as practicable and therefore suggests that the Government align obligations for exempt persons under the GEO with licensed retailer and distributor obligations.

The Panel also recommends extending consumer protections to all local energy network customers in addition to social housing, retirement village and residential park customers, so that they have equivalent rights to on-market customers.

In terms of dispute resolution requirements, the Panel recommends that the GEO be amended to ensure that all local energy network customers have access to independent dispute resolution services. Under a revised GEO and new licensing framework, a local energy network will need to disclose to customers what protections customers are entitled to upon entering a contract, and on an annual basis.

5. Bundled services

“As these are essential services, there is a need for strong consumer protections. Consumers should have transparency with regards to each item they are being billed for. These bundled services should be individually metered otherwise there is no incentive to reduce usage.” – Embedded network customer

“I just moved into a building with an embedded network. I was appalled to find out I have no choice about any of my energy contracts. On the phone to the energy company I said ‘what’s the point of asking me to consent to this contract?’ and they confirmed that I have no choice. It is very hard to compare the cost of what I’m getting with other options, but there’s no point anyway. Let alone the possibility of choosing green energy, which I would have done. If this happened in another country we would call it what it is, a scam. Even if hot water is centralised in the building, what possible reason is there for bundling electricity and giving me no choice about how I obtain it? When these utilities were privatised the point was for ‘consumers’ to have ‘choice’ in a ‘free market’. But of course what private operators like best is when consumers have no choice.” – Embedded network customer

“All bundled services and service providers should be brought under the purview of the ombudsperson enabling anyone who is currently living with a bundled service an avenue of support and complaint should they experience any issues” – Embedded network customer

“HAAG supports the recommendation that bundled services should be regulated ... HAAG commonly hears from RAAG members and HAAG clients living in retirement villages, residential parks and caravan parks that they often do not know what they are being charged, what the service is providing specifically, and how much the village is purchasing and on-selling the electricity for. This causes stress and mistrust.” – Housing for the Aged Action Group

“EnergyAustralia strongly agrees with the Panel’s intent to ensure that Private Networks do not seek to “cross subsidise” by price gouging bundled services in response to the regulation of electricity prices in Private Networks via the VDO or increased retail competition. However, we do not consider that setting regulated prices for bundled services is the most effective means to address this risk.” – EnergyAustralia

“Origin believes that services such as bulk hot water, bulk heating/cooling and unmetered gas cooktops are independent services (for Origin products) and cannot be considered ‘bundled’ services or ‘embedded networks.’” – Origin

“We have received complaints from embedded network customers living in apartments that are fitted with a centralised air-conditioning and heating system, known as Variable Refrigerant Volume (VRV). These remain outside our jurisdiction ... Customers can be disconnected from VRV for non-payment. VRV is not contestable, meaning customers cannot transfer to a licensed energy retailer. We believe that bulk hot-water, unmetered gas for cooktops and the VRV arrangement constitute an ongoing energy supply relationship between seller and customer, which should be adequately regulated, including giving the customer access to EWOV. Without change, there is a stranded section of customers that receive energy bills that are not covered by any regulation.” – EWOV

What we heard

Submissions showed strong support for the proposed regulation of bundled services, although there were some submissions which either did not agree with the need to regulate these services or suggested it would be difficult to do so. Those stakeholders in support of additional regulation of bundled services agreed that the proposed approach would lead to greater transparency and consumer protections.

Providing consumers with the ability to make informed decisions about the kind of bundled service arrangement for their rental contract or property purchase was viewed favourably.

Stakeholders agreed that reforms should provide adequate information disclosure about the existence, and type, of bundled services when first renting or purchasing a property, as well as greater billing transparency for bundled services.

Our response

The unregulated nature of bundled services (including bulk hot-water, bulk heating/cooling and unmetered gas cooktops) remains a challenging area of concern for the Panel, who believe that energy is an essential service no matter where a customer lives, or how they receive their energy.

The Panel recommends that the Government determine how to best ensure that there is no longer a secondary, separate treatment for customers receiving these services.

A fit-for-purpose monitoring, compliance and enforcement framework should therefore be considered by the Government to address the lack of consumer protection and access to independent dispute resolution for these services as well as the issue of high costs for monopoly bundled services.

6. Enhancing the ESC’s enforcement powers

“On both this issue and the related need for a more robust compliance and enforcement regime for embedded networks more generally, VCOSS notes that this Review has established a solid foundation for further work by relevant Victorian agencies.” – Victorian Council of Social Services

“Equal monitoring, compliance and enforcement mechanisms for private networks in line with on-market licensed providers will prove beneficial to consumers within said networks.” – Strata Community Association Victoria

“From what I have been able to learn, there is too little power in the hands of any regulatory body to enforce companies to do what they are supposed to do.” – Embedded network customer

“We agree that the ESC should be empowered with effective investigative and enforcement powers as well as options to act against non-compliant embedded networks as is the case with distribution and retail businesses.” – AGL Energy

“We support the enhancement of any enforcement powers for the ESCV in regulating the GEO to be the same as those available to it in regulating licenced retailers and distributors in Victoria.” – WINConnect

What we heard

Stakeholders responded positively to the proposed recommendation to ensure the ESC’s monitoring, compliance and enforcement for local energy networks is robust and aligned with the ESC’s existing regulatory framework for standard energy providers. Local government stakeholders view the current regulatory framework as no longer fit-for-purpose, with regulators having an insufficient ability to appropriately address instances of bad industry behaviour.

Some industry stakeholders also agreed that a lack of strong monitoring, compliance and enforcement powers has inadvertently led to instances where embedded network operators are not always aware of their obligations.

Suggestions to address this issue included ensuring the ESC has sufficient information-gathering, auditing and reporting powers. It was additionally emphasised that the ESC’s oversight regime should be ‘comprehensive and robust’ and ‘mirror the obligations under the Retail Licence’.

Our response

The Panel supports the ESC having recently been granted stronger compliance and enforcement powers under the Government’s Energy Fairness Plan. These powers grant the ESC the ability to collect information and data from the industry, to address the issue of a lack of transparency in the market.

In order for the ESC to exercise these new powers, the Panel believes that the ESC should also be sufficiently resourced by Government.

7. Access to competitive retail offers

“Even in the case of a well-functioning private network delivering benefits to consumers, people should have the right to opt-out and seek an alternative if they so choose. Not only do many consumers view this ability to exercise choice important in and of itself (as evidenced by the number of consumers submissions to this effect in response to the Issues Paper), but the ability to easily access the retail market incentivises future LES holders to deliver value to consumers in order to retain their business.” – Consumer Action Law Centre

“The Group supports a ban on all embedded networks that do not provide frictionless access to retail competition.” – Embedded Network Industry Action Group

“To further advance access to retail market competition, require that all legacy embedded network metering and internal infrastructure be upgraded to market grade by 2024 by mandating that embedded network operators submit upgrade programs to the Essential Services Commission (ESC) for approval.” – AGL Energy

“HAAG is in support of all people in an embedded network having the practical, not just theoretical capacity to choose their preferred retailer.” – Housing for the Aged Action Group

“It is incredibly stressful being trapped by unmotivated, irresponsible or underhanded energy providers and unable to act or get help.” – Embedded network customer

“The Electric Vehicle Council is concerned that Recommendations 8 and 9 of the Draft Recommendations Report could be read to require that supply to a residents’ EV charger in an apartment complex be made only via an on-market meter, which would significantly increase the minimum cost to the resident both up-front and ongoing and decrease the choice for the building in terms of how they operate EV charging.” – Electric Vehicle Council

What we heard

Generally, stakeholders were supportive of improved access to the retail market and competitive offers, including both industry and consumer representatives. Consumers in particular reiterated that they should be able to move to an on-market retailer or stay with the embedded network, but that the choice should be theirs.

Industry stakeholders were broadly supportive of providing a single bill for embedded networks. However, one stakeholder noted non-standard embedded network billing arrangements as a barrier for customers accessing retail competition.

A customer’s ability to choose their preferred retailer was also cited as being a basic consumer right that should be extended to embedded network customers. One suggested approach to address this challenge was allowing meter readers to facilitate the provision of meter data to retailers. Stakeholders also highlighted the risk of churn and urged the Panel to consider the implications of placing new obligations on providers.

The Electric Vehicle Council raised concerns that the recommendations about retail market access could be an impediment to electric vehicle uptake if applied to electric vehicle (EV) chargers.

Our response

To address customer views regarding a lack of access to competitive retail offers, the Panel has maintained its recommendations that all local energy network customers should have unfettered access to the retail market.

The Panel also maintains that metering, or any other legacy (existing) local energy network infrastructure should be retrofitted to enable customer access to the retail market, without direct costs flowing on to customers. The changes required to enable retail market access should be timely.

8. Mitigating disruption of supply due to failure of an embedded network

“Origin supports the proposed recommendations and implementation strategy. We agree that the prospect of retailer failure presents significant risks to embedded customers. Continuity of supply is critical for customers and it is important that any arrangement is coordinated and seamless and results in minimal customer impact.” – Origin

“We would be supportive of a system similar to the Retailer of Last (ROLR) process. Extending the ROLR process that currently applies to licensed retailers to embedded networks would appear a plausible solution to ensure continuity of supply for customers.” – EWOV

“We support the creation of a LES of last resort.” – Citipower, Powercor & United Energy

What we heard

Stakeholders were supportive of the recommendation and implementation mechanisms for mitigating the disruption of supply in the event of an embedded network failure.

Submissions from distribution businesses noted how financial pressures experienced by some embedded network operators has led to customer uncertainty, particularly regarding an embedded network operator's ability to ensure a secure and continuous electricity supply. Minimising this risk by creating a 'LES of last resort' (similar to the current retailer of last resort scheme) was supported.

One industry stakeholder suggestion for how to mitigate this risk is to appoint a licenced retailer capable of servicing a local energy network to supply the parent meter and therefore, the end customer.

The ESC was recognised as being the appropriate regulator for appointing a LES of last resort to step in and supply and sell electricity if an operator fails. Submissions noted that the Panel should consider the regulatory gaps for the ESC to ensure it can sufficiently fulfil this role.

Our response

To mitigate concerns of a possible local energy network failure to supply electricity to its customers, the Panel has maintained its recommendation that the ESC be granted powers to assign a provider to deliver these services.

This will ensure that continuity of supply is safeguarded, and customers are protected from supply disruptions outside their control.

9. Planning and building requirements

"EWOV supports recommendations 11 and 12. Most issues in this area stem from the initial agreements put in place between the developer, embedded network owner and occasional billing agent." – EWOV

"Real Utilities strongly supports the requirement for adequate information disclosure and that formalise a minimum requirement disclosure regime for embedded network arrangements in the contract of sale and for the inaugural meeting of Owners Corporations." – Real Utilities

What we heard

In general, there were divergent views amongst stakeholder submissions regarding how best to improve planning and building requirements for embedded networks.

Industry stakeholders supported amending planning and building regulations that will foster retail competition and consumer benefits or requested further information regarding the Panel's implementation strategy. Industry support for planning and building requirements was also predicated on providing body corporate managers with any new planning and building requirement information to support their engagement with building owners.

Some industry stakeholders did not support implementing reforms through planning and building requirements, in the event of a possible conflict with other planning and/or building codes.

Our response

The Panel has maintained its recommendation that there be amendments to building and planning requirements so that any new residential local energy network can incorporate renewable energy for customer benefit. These amendments should also extend to bundled services to improve the buildings standards at the initial design stage.