

# Embedded Networks Review Issues Paper Webinar 3 February 2021

Response to questions posted by participants

**Please could you clarify why (at a minimum) mirroring the National Standards is a principle, when current National Standards are a significant barrier to providing consumers with low cost renewable electricity through microgrids and microgrid technologies.**

In developing its recommendations, the Panel will consider whether the Australian Energy Market Commission (AEMC)'s proposed amendments to the national regulatory framework for embedded networks are appropriate for Victoria. Under its Terms of Reference for the Review the Panel will also consider how exemptions to the ban may allow for innovative new technologies or new/existing applications and other appropriate uses of embedded electricity networks.

**Could you please provide an indication of the scale/quantity of legacy embedded networks, and if possible, whether there is a particular demographic that is more impacted than others? For example, was it a method that was more likely to be used for lower cost developments?**

Determining the exact number of embedded networks is a challenge because, until recently, there was no requirement for these entities to be registered with the Essential Services Commission (ESC) or another body. Following the 2017 review of the General Exemption Order, most embedded networks are now required to register with the ESC and to become members of the Energy and Water Ombudsman (Victoria)(EWOV), although there are still some exceptions. For this reason, it is difficult to determine the exact number embedded networks within the community or particularly affected demographics.

However, the ESC estimated in May 2019 that there were just over 1,100 embedded electricity network sites registered with them. These include apartment buildings, shopping centres, retirement villages, lifestyle villages, caravan parks, manufactured home estates, land lease parks and rooming houses. Further, as of February 2020, 1,037 embedded networks sites were registered with EWOV, allowing 122,000 customers to access EWOV for an external dispute resolution service.

**Has your review considered enforcement of the new framework and suggested changes? Much of your objectives are achievable if compliance was policed and enforced as currently it is not.**

As part of the Review the Panel will be advising on recommended actions for regulators, particularly in relation to compliance and enforcement.

**How does the panel intend to reconcile the political commitment of a ban with the real world implications to customers? Is the panel prepared to recommend against a ban? When implemented appropriately customers of embedded networks should be able to obtain much better deals than retail customers as embedded networks have intrinsically lower cost to deliver energy (even without renewable energy). In implementing a ban, it's likely that the majority of embedded network customers will be worse off.**

In implementing the government's commitment to ban embedded networks in new residential apartment buildings, with appropriate exemptions, the Review aims to ensure that, to the fullest extent practicable, Victorian energy

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consumers in residential embedded networks can access the same competitive retail offers and consumer protections as other Victorian energy consumers.

One of the guiding principles of the Review is to place benefits to consumers at the centre of its considerations. The Panel is required under its Terms of Reference to make recommendations to give effect to a ban and will consider how to implement the ban in a way that balances different policy considerations while ensuring beneficial customer outcomes.

## **What is the benefit of banning new embedded networks if the intention is that the panel will recommend changes to legacy embedded networks that will deliver access to competition and comparable consumer protections?**

In recent years, there have been several Victorian and national reviews into the performance of embedded networks and the regulatory frameworks that govern them. These reviews have consistently identified a range of issues with embedded networks and the need to improve consumer protections and outcomes for customers living in them.

The Review is considering how the ban would intersect with legacy embedded networks in residential apartment blocks, including options for retrofitting or removing existing embedded network infrastructure, if appropriate. The purpose of the ban is to ensure that, to the fullest extent practicable, these Victorian consumers can access the same competitive retail offers and consumer protections as other Victorian consumers.

## **Has there been an analysis of whether Exempt Seller (embedded network) customers are better or worse off compared to those who are served by Authorised Retailer customers? For example, average c/kWh on a total bill basis for customers of like volumes?**

The Terms of Reference for the Review require the Panel to provide recommendations to ensure that all Victorian consumers, to the fullest extent practicable, have access to the same competitive retail offers and consumer protections as other Victorian customers. In developing its recommendations, the Panel will consider appropriate information, including comparison of billing information where this is available and relevant.

In recent years, there have been several Victorian and national reviews into the performance of embedded networks and the regulatory frameworks that govern them. These reviews have consistently identified a range of issues with embedded networks, which are not just isolated to pricing concerns. The reviews have also identified the broader need to improve consumer protections and outcomes for customers living in embedded networks.

## **What is the reasoning for only proposing to ban new residential apartment blocks rather than the ban extending to retirement villages, caravan parks?**

Given the changing nature of housing in Victoria, an increasing number of people are living in multiple occupancy developments, particularly apartment buildings. As a result, more Victorians are living in embedded networks than ever before. The AEMC has identified a sustained growth in residential network exemption registrations. Additionally, the AEMC has detected that the majority of residential network exemptions across the national electricity market prior to 2017 have been related to general residential activities such as apartment buildings (Australian Energy Market Commission, Final Report, Updating the Regulatory Frameworks for Embedded Networks, 20 June 2019, p.20).

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## **Is the Panel intending to bring any new empirical evidence into the review beyond the submissions? The issues paper seems to be heavily relevant on anecdotal evidence.**

In formulating its recommendations, the Panel will consider relevant and appropriate information, including, but not limited to, submissions received during the consultation period.

The Panel is interested in receiving submissions and information about well-designed and operated embedded networks that pass on benefits to customers, as well as embedded networks that provide negative experience and outcomes for customers. When making recommendations to implement the Government's election commitment, the Panel will take into account submissions about embedded networks that provide both positive and negative customer experiences and outcomes.

The Review is also keen to hear from embedded network customers about the prices customers are being charged. Customers are encouraged to submit their recent bills to the Review. Data on tariffs charged by embedded networks may also be submitted. For further information on privacy matters please refer to the Review website on Engage Victoria and the Issues Paper.

## **Why wouldn't you simply require all new embedded networks to be set up to physically allow transfer to a market contract?**

In developing its recommendations to implement the Government's election commitment, the Panel will take into account a range of options that improve consumer protections and outcomes for customers.

## **Is there an option to share data confidentially?**

The Review is keen to hear from embedded network customers about the prices customers are being charged. Customers are encouraged to submit their recent bills to the Review. Data on tariffs charged by embedded networks may also be submitted. The Panel is also keen to hear about the benefits and problems experienced by customers more broadly within embedded networks from both those who operate or own embedded networks and from customers.

If you believe that there are aspects of your submission that are confidential or commercially sensitive, you should mark those sections 'IN CONFIDENCE'. In such instances, formal requests for confidentiality will be honoured. There is also an option for people making submissions to request that the submission is kept confidential and not published or made publicly available. However, submissions may be made available publicly under the Freedom of Information Act 1982 (Vic). Any requests for public access to a submission will be determined in accordance with that Act. For further information on privacy matters please refer to the Review website on Engage Victoria and the Issues Paper.

## **Wouldn't requiring all embedded network operators of residential apartment buildings to be licensed retailers solve a lot of the issues, because then there would be a much easier (and on-going) basis for regulating embedded networks? This could be applied to all new embedded networks and phased in to all legacy embedded networks over time.**

In developing its recommendations to implement the Government's election commitment, the Panel will take into account a range of options that improve consumer protections and outcomes for customers.



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**A ban on embedded networks with an exemption for renewable microgrids implies the need to put in place appropriate regulation for renewable microgrids. Imposing national embedded network regulation as a solution to the need for pro-active regulation for microgrids would seem to be an extremely perverse outcome.**

The Panel intends to explore a pragmatic and workable definition and pathway for exemptions for microgrids as part of this Review and will take into account submissions from stakeholders on how best to deliver a workable exemptions pathway.