

Consultation on the regulation of embedded networks

Submission form

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Send your feedback to EPWA-AES@dmirs.wa.gov.au or to Energy Policy WA, Locked Bag 11, Cloisters Square, WA 6850 by 5pm (AWST), Friday 19 April.

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Question number	Section reference in Consultation Paper	Questions for consultation	Your comments
1.	Section 5.1. Option 1: Status quo – class-based exemption	What costs and benefits have you experienced under the status quo arrangements for ENS being exempt from needing to hold a licence?	<p>Our business provides data acquisition and utility accounting services to owners of embedded networks.</p> <p>Our experience of embedded network owners is largely positive. The vast majority of our clients align the tariffs they on-charge to their tenants or strata lot owners with the gazette tariffs with many passing on further benefits.</p> <p>The current VEN CoP version refers to the L1 tariff model as the default tariff across all consumers within Embedded Networks which is oversimplifying the complexity of managing and on charging energy use.</p> <p>As single default tariff does not reasonably consider the impacts that usage (and load) patterns and volumes of consumption have on an embedded network's infrastructure and the overarching supply arrangements to the site.</p> <p>We believe that 1 x default tariff is not appropriate.</p> <p>With the fast-rising cost of energy in WA, we are seeing a growing list of examples where an ENS is paying more for electricity under a supply agreement in the contestable electricity market than they are on selling for, because they are on selling electricity in alignment with the gazette tariffs currently in place, which has not been reviewed or changed by the WA Govt since July last year. This is an ethical alignment to this point.</p> <p>We are aware of calls by electricity wholesalers and retailers to possibly double STEM prices and</p>

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			<p>understand this is being considered by the ERA currently.</p> <p>Hence the ability within the code for a tenant or lot owner to be able to opt to the default rate is a commercial risk to an ENS and we recommend it be removed from the Code.</p> <p>We believe the default options should be expanded and scaled more appropriately. This is why the WA Govt gazetted tariffs were developed in the first place. (i.e., residential, small medium and large consumers).</p> <p>Whilst not completely suitable, the current gazetted tariffs provide a clear framework, published by the state government, for both the ENS and customers to understand, given the annual usage trends (i.e. residential vs business, peaky loads vs stable, on and off-peak usage patterns, regional vs metro) and also offers a structure for those tenants utilising time of use metering to better align with deployment of advanced meters programmed to capture time of use and also electricity demand.</p> <p>We do see antiquated metering assets utilised in Western Australia and in some cases an absence of metering altogether. The EN CoP does not address this antiquation other than allowing the tenant to choose to upgrade the meter serving their tenancy (or strata lot) at their own cost.</p> <p>The requirement in the code to comply to National Metering standards and any other</p>

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			<p>applicable standard required by law is directed to new metering only.</p> <p>Diversity of daily usage patterns and renewable generation are a major contributor to SWIS (grid) instability, hence the key to driving investment into stabilising the grid should be into encouraging deployment of more capable measurement tools. (i.e., advanced meters).</p> <p>This also raises the need to apply appropriate daily supply charges to recover the investment into advanced metering and manage the ongoing energy accounting and risk.</p> <p>We recommend regulated default tariff options within WA Embedded Networks should accommodate and incentivise investment into advanced meters.</p> <p>The ability for an ENS to on sell energy within their asset has in recent years driven investment into renewables, driven in part by national incentive programs (STC's / LGC's) as intended.</p> <p>Significant green transition momentum is underway, however EN CoP may cause unintended consequences by disincentivising renewables investment with the introduction of providing market access to electivity retailers by introducing an owner's risk of losing the largest consumers as customers within their networks.</p>

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2.	Section 5.2. Option 2: Individual exemptions	What minimum conditions would need to be imposed as part of individual exemptions for ENS?	<p>We believe the introduction of a disclosure statement is an appropriate tool to inform the end use consumers of their purchasing arrangements as is the full disclosure of utility statement content as defined (excluding arrears on the statement as clarified above)</p> <p>Disclosure of changes to supply arrangements in advance is also a very practical and fair policy.</p> <p>Clarification of the existence of a meter, its accuracy and type will improve accountability and accuracy and will drive activity where this is currently not the case.</p> <p>The requirement for an electricity supply agreement is a good initiative as arrangements are becoming more complicated and historical terms within leases do not always address these complexities. However, consideration to the electricity supply terms within commercial leases need to be accommodated and not diluted as they underpin the value of a property and these terms have been agreed by both parties.</p> <p>Where commercial lease terms already accommodate electricity supply, a solution may be to simply transfer the terms onto a disclosure statement to clearly outline the arrangements in place. To be re-issued with any disclosure / notification of price changes.</p> <p>Many Strata schemes utilise by-laws to formalise electricity supply arrangements with their embedded networks, rather than each resident having a duplicate version of an electricity supply</p>

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			<p>agreement that is signed and renewed by the resident (highly difficult to facilitate in the strata sector), the current bylaw could be transferred onto a disclosure statement to clearly outline the arrangements in place. To be re-issued with any disclosure / notification of price changes.</p> <p>Informing a tenant (lot owner) of the existence of renewables assets is of value, however, is often interpreted as a justification for cheaper electricity pricing, ignoring the implementation costs and risks.</p> <p>If a property owner or Scheme owns renewables assets, (rather than via a PPA or other arrangement) the ENS should have the same entitlements to on sell that electricity at market rates to the building occupants - this is not currently the case for Strata Schemes.</p> <p>The billing cycle should be no more than 2 x months unless agreed by both the ENS and the customer. The Code refers to a billing cycle of 60 days which is technically problematic because not each month consists of 30 days. Compliance to 60 days would require significant changes to accommodate (cycle detracting from a monthly billing cycle) and would make compliance structurally rigid. Requirement of every 2 months would address this rigidity and allow practicality to prevail.</p>
3.		Do you agree that a lack of access to the Energy Ombudsman and means of enforcing exemption conditions are significant problems? Are there any other concerns with licence exemptions additional to	We believe that access to the Energy Ombudsman for tenants is a good thing however we have no knowledge to where the absence of this has been an issue.

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		those identified in Section 3 – Problem Statement? <i>(relevant to Options 1 and 2)</i>	<p>Our experience is that embedded network landlords act in an ethical way and align themselves to the direction held within the gazette.</p> <p>Pathways for dispute resolution already exist in the strata act, residential tenancy, and retail tenancy acts of via the courts.</p> <p>We do not disagree with the spirit of the EN CoP and support the need for protections to the tenants and strata lot owners, however we do not see this being an issue in the commercial or strata sectors.</p>
4.		Error! Reference source not found.	<p>The supply of electricity to the tenants is extended to them through the property's Western Power utility meter, into the network.</p> <p>If an ENS fails to meet the conditions, rather than revoke their ability to supply electricity and the ability to derive profit should be revoked and energy costs should be passed through until such time as they become compliant.</p> <p>The ability for the ENS to be compliant should not negatively affect the customers' ability to have a supply of energy, this seems to be a fundamental difference between a retailer and an ENS.</p> <p>i.e., A customer of Synergy can switch to an alternate retailer, a customer within an embedded network cannot easily switch ENS.</p>

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5.	Section 5.3. Option 3: Licensing	Error! Reference source not found.	No. We feel that because embedded networks have existed in WA for so long (over 30 years), with minimal end customer complaints in comparison the market size) most buildings do not have the electrical infrastructure to be configured for multi master and therefore ENS's require a different model of governance.
6.		Error! Reference source not found.	No, for the reasons above.
7.	Section 5.4.1. Proposed obligations under the AES Code	Error! Reference source not found.	<p>In principle yes however there are still sections within the EN CoP that are too rigidly aligned to an electricity retailer's business model.</p> <p>An example of this is the requirement to track arrears on the customer's statement. Most embedded networks take the cost of electricity and combine it with other costs such as lease costs, other utility costs and variable outgoings.</p> <p>If a customer is in arrears, in most instances it will not be solely electricity that they are in arrears for so it makes it largely impossible for an ENS to comply with this requirement.</p> <p>Property owners, property managers, strata schemes and strata managers provide utility (gas, electricity, water) statements to their tenants or strata lot owners which outline all relevant billing information, excluding the arrears.</p> <p>In most cases single (cyclic) invoices are prepared and issued by the authorised manager which include all property costs, not just utility costs. Utility statements and other regulatory</p>

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			<p>attachments are annexed to the invoice for transparency. Arrears are tabled for all unpaid costs, not just electricity. The Code is applying an arrears model utilised by a utility retailer, selling elect city only.</p> <p>The property industry is providing arrears information, and this is critical to any accounting function to recover funds from customers.</p> <p>We agree that this information should be known to the customer, we just believe that the electricity statement is not the incorrect vehicle.</p>
8.		Error! Reference source not found.	<p>We believe that the costs to the ENS, given what has been communicated so far, are high, impacting the profitability of the embedded network, and would likely be passed directly to the customers which would be against the spirit of the EN CoP.</p>
9.	Section 5.4.2. Policy questions under the AES registration framework – Protections for large use customers	Error! Reference source not found.	<p>We believe that any erosion of the embedded network would negatively affect the smaller use customers, driving up their variable outgoings and cost to common areas.</p> <p>We strongly believe that this would also have unintended consequences in the electrification of embedded networks. The on-sell profit of electricity within embedded networks can be used to fund solar and EVC projects as well as upgrading existing infrastructure to reduce its carbon output to help meet de-carbonisation targets.</p>

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			We also believe the option for tenants to request separate master meters will divert already limited electrical industry skills and resources from renewables projects and will be an impost on Western Power, Electrical consultants and electrical contractors.
10.		Error! Reference source not found.	From our experience, the majority of our clients pass through the cost of electricity to their major tenant in full or at heavily discounted rates and these tariffs are documented within the lease agreement
11.		Error! Reference source not found.	We believe that the large use customers already hold a significant position of leverage to the landlord and that the EN CoP should provide equal obligations irrespective of annual consumption.
12.	Section 5.4.2. Policy questions under the AES registration framework – Fast track application	Error! Reference source not found.	A fast-track route would provide a market advantage to the applicant, especially where the ENS is not the owner of the property. i.e., An electricity retailer. This would be an unfair advantage.
13.	Section 5.4.2. Policy questions under the AES registration framework – Information requirements for registration	Error! Reference source not found.	The minimum should be proving the end consumer with disclosure of the supply arrangements, evidence of metering assets, cyclic transparency of usage referenced to the relevant utility meter and applied costs and tariffs with notification in advance of any pricing or meter asset changes.

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14.	Section 5.4.2. Policy questions under the AES registration framework – Requirement for retail licensees to register	Error! Reference source not found.	<p>No. The “energy in property” market is already very complicated.</p> <p>Licensed electricity retailers currently supply electricity to embedded network owners under contracts. If the EPWA intent to lower the contestable threshold within embedded networks to allow retailers sell to tenants, the electricity retailers become a competitor to an ENS.</p> <p>The opportunity for an electricity retailer to become the ENS further adds market complexity and management and in our view is also a conflict of interest if a retailer is selling electricity to a tenant directly within an existing embedded network on a separate supply agreement.</p> <p>This model seriously complicates the market which is already highly confused.</p> <p>Most property owners, managers, strata lot owners and tenants are struggling to understand the status quo.</p>
15.	Section 5.4.2. Policy questions under the AES registration framework – Transitional arrangements	Error! Reference source not found.	
16.	Section 5.4.2. Policy questions under the AES registration framework – Transitional arrangements	Error! Reference source not found.	<p>We oppose the lowering to the thresholds for retailer access to Embedded Networks.</p> <p>However, if this is not removed, retailer market access should be delayed for at least 18 x months after the currently EN CoP regulation commencement date of Jan 26.</p> <p>This would allow current ENS (Market participants) to focus on addressing meter</p>

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			network accuracy, accountability, transparency, and compliance prior to the introduction of further complexity that comes with introducing electricity retailer competition.
17.	Section 7. Implementation	Error! Reference source not found.	<p>Via engagement with current embedded Network service providers and peak body groups.</p> <p>Submissions and requests for further consultation from these parties have been largely ignored to this point by EPWA.</p> <p>The Western Australian Advocacy for Consumers of Energy Forum (WA ACE Forum), set up and run by EPWA has not invited the major peak property groups representing the property sector to participate.</p> <p>If the forum is intended to “bring together energy consumer advocates to strengthen the consumer voice in the energy sector”, why were property owners and strata scheme owners not invited to participate from the outset?</p>
18.		Error! Reference source not found.	<p>We believe that templates of all documentation requirements should be made available within the voluntary period This enables the ENS's to get ahead of the changes and understand the requirements, to understand how they will comply.</p> <p>In certain sectors, the route to compliance will be difficult. The availability of guidance material should be made as early as possible.</p>

