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Energy Policy Western Australia
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Dear Energy Policy WA

Regulating Sale and Supply of Electricity in Embedded Networks

Synergy welcomes the opportunity to provide feedback to Energy Policy Western Australia (EPWA) in relation to the above and is pleased to provide the following comments to EPWA to support the development of practices for embedded network sellers (ENS) and rights for embedded network small use customers (ENC), under the new Alternative Electricity Services (AES) registration framework.

Background

EPWA, following a review of the licencing and exemption framework in Western Australia, developed and proposed an AES registration framework to provide customer protection obligations on persons providing electricity services within embedded networks.

EPWA, in the [Consultation Regulatory Impact Assessment \(CRIS\)](#), is seeking feedback¹ on the following specific questions about the options for regulating the provision of electricity services in embedded networks.

Synergy as the State's largest electricity retailer is also keen to ensure there is an effective framework to facilitate an efficient, behind-the-meter, electricity sale and supply framework. Synergy's specific feedback and support for the development of the proposed AES framework is outlined in response to the consultation questions below.

Status quo – class based exemptions

1. What costs and benefits have you experienced under the status quo arrangements for ENS being exempt from needing to hold a licence?
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Synergy currently does not retail electricity to small use customers in an embedded network. Under the status quo arrangements Synergy supplies electricity from Western Power's transmission and distribution network to the master meter of persons who own or operate an embedded network under its electricity retail licence (ERL1).

¹ [Have your say on the regulation of embedded networks \(www.wa.gov.au\)](#)

Individual exemptions

2. What minimum conditions would need to be imposed as part of individual exemptions for ENS?
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 those identified in Section 3 – Problem Statement? (*relevant to Options 1 and 2*)
4. If an exempt ENS fails to meet exemption conditions they are no longer legally able to supply electricity until the issue is remedied. What consequences could arise from this? (*relevant to Options 1 and 2*)

Synergy concurs with EPWA that options 1 and 2 do not meet the policy objective to extend substantively equivalent protections to small use customers within an embedded network.

Synergy has no additional comments to make in relation to Q.2, 3 and 4 as it currently does not retail electricity to small use customers within an embedded network.

Licensing

5. Is licensing a suitable option to address some of the issues raised in Section 3 – Problem statement?
6. Are the costs of licensing ENS proportional to the benefits?

Synergy concurs with EPWA that option 3 imposes inflexible and costly obligations on ENS that are likely to be disproportionate to the services being provided. Further licensing could have the unintended consequence of an existing ENS exiting the market or a potential ENS declining to supply an embedded network.

Synergy has no additional comments to make in relation to Q.5 and 6.

AES registration framework

7. Is the AES registration framework a suitable option to address some of the issues raised in Section 3 – Problem statement?
8. Are the costs of requiring ENS to register under the AES registration framework proportional to the benefits?

The CRIS discusses how EPWA, with input from the ERA and the Electricity Ombudsman (**EO**), developed estimates for both establishment cost and ongoing operation costs for the AES registration framework. The high-level estimates indicate that the additional annual costs per customer to be in the range of \$10 to \$37 (combined annual costs for both the Energy Ombudsman and ERA). However, the CRIS does not make it clear whether these estimates include EO fees that would be incurred by the ENS in relation to an ENC lodging a complaint with the EO in relation to the ENS conduct. If an ENS had a complaint referred to the EO it could expect its annual costs to be significantly higher.

It is important the EO scheme treats all classes of members equitably. In particular, it is important the scheme does not create a cross-subsidy between licensed retailers and ENS. Synergy considers there is likely to be significant variation in ENS provider size, operations and financial capabilities to fund the EO scheme extension. Licensed retailers would be concerned with a regulatory outcome that results in licensed retailers cross subsidising a registered ENS provider's EO costs. To address this risk Synergy recommends EPWA amend proposed regulation 3(e) of the general regulations to explicitly state that the extension of the EO scheme to accommodate ENS service provision must occur on a cost reflective basis.

Protections for large use customers

9. Do you agree that ENS should be required to facilitate large use customers obtaining a separate master meter at the customer's cost?

10. If you are a large use customer, what is your experience in being sold or supplied electricity in an embedded network?

11. What, if any, other obligations should ENS have in respect of large use customers? Why?

The voluntary embedded network code includes a provision which requires an ENS to facilitate an eligible customer² obtaining a separate master meter to be able to purchase their electricity supply directly from a licensed retailer, through the covered network, at the customer's reasonable cost. The CRIS indicates that EPWA is considering extending this requirement for connection and supply to large use³ customers.

The CRIS indicates that many large use customers in embedded networks are unable to negotiate and choose their own electricity supplier. EPWA's consultation has indicated this is a major concern for these large use customers and several have reported paying significantly more for electricity when compared to similar customers at standalone sites who can access market offers.

Synergy considers the modification of an embedded network to supply one or more connection points through the covered network is already supported by the regulatory framework. In particular, the Applications and Queuing Policy under the Electricity Network Access Code 2004 (ENAC).

Synergy considers the key issue is not whether direct connection can occur but the cost, who pays and is there a significant return on investment for the customer. The operation of some embedded networks can have several material practical technical and commercial complexities. For example, identifying who is responsible for paying costs associated with:

² Consuming more than 50 MWh in any 12-month period.

³ Customers using above 160 megawatt hours of electricity per year.

- Isolating the customer's supply from the network.
- Modifying the property and buildings to facilitate connection.
- Negotiating access to the property owner's lands to facilitate a direct connection.
- Connection assets to the covered network.
- Supply disruptions to other ENC's due to the required works.
- Project managing the works for the embedded network operator.

Some embedded network operators may be reluctant to approve modifications to their property or building depending on the extent of the modifications required. Consequently, in some cases it may be more cost effective for the customer to relocate their operation then pay for the cost of concurrently modifying both embedded and covered networks.

Synergy recommends EPWA have due regard to these practical matters when developing the AES Code including how the AES Code will operate consistent with the mechanisms and processes currently regulated under the Electricity Metering Code 2012 and ENAC.

Fast track application

12. Do you support use of the 'fast track' route to assess ENS registration applications? Why/why not?

Synergy supports a fast-track mechanism and considers it will expedite the registration of ENS given, as reported in the CRIS, the large number of ENS operating in Western Australia.

Information requirements for registration

13. What minimum information should ENS be required to supply under an AES registration application process?

Synergy has no comment to make in relation to Q.13.

Requirement for retail licensees to register

14. Should licensed electricity retailers be permitted to operate embedded networks under authorisation of their licences (with additional licence conditions), or should they be required to also hold an AES registration as an ENS? Please provide justification for your position.

The CRIS proposes that there are two mechanisms for licenced electricity retailers to supply an ENC:

1. Allow the retailer to separately register as an ENS with the ERA; or
2. Allow the retailer to be an ENS under the authorisation of their retail licence with additional conditions for consistency with the AES Code.

In addition, in relation to conveyance and metering services, EPWA has proposed the licenced retailer or ENS would also need to:

1. Hold either a distribution licence; or
2. Have the benefit of an exemption from the requirement for a distribution licence.

Synergy considers a licenced retailer is already permitted to supply ENC within the geographic area permitted under their licence. Therefore, Synergy supports the approach that a licensed retailer may choose the most cost effective and practical option of supplying a ENC. In addition, Synergy considers where a licenced retailer separately registers as an ENS they may seek ERA approval to amend their retail licence to remove the embedded network from the licenced geographic area to avoid regulatory duplication.

If a licensed retailer seeks to own or control an embedded network then Synergy concurs with EPWA, a distribution licence is required.

Synergy notes some ENS may already own, operate or control a distribution network under a distribution licence or exemption. However, this is not normally the case for licensed retailers who use covered networks. Therefore, Synergy does not consider it is practical or reasonable for it to be required to hold a distribution licence for facilities it does not own or control because:

1. Licenced retailers can enter into a commercial agreement for access with the embedded, microgrid or covered network operator for conveyance and metering services.
2. Synergy's functions under the Electricity Corporations Act 2005 limits Synergy owning and operating a distribution network.

Synergy considers the AES framework, in relation to conveyance and metering services, should permit the licenced retailer or registered ENS to:

1. Hold either a distribution licence; or
2. Have the benefit of an exemption from the requirement for a distribution licence; or
3. Have an appropriate agreement for conveyance and metering services with the embedded network operator.

Transitional arrangements

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| <p>15. What circumstances should be considered for transitional arrangements? What types of obligations on ENS should be subject to transitional arrangements?</p> <p>16. Are there any types of ENS that require special consideration or additional time where a phased approach might be appropriate? Why is this the case and how long should such a phased approach take?</p> |
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Synergy has no comment to make in relation to Q.15 and 16.

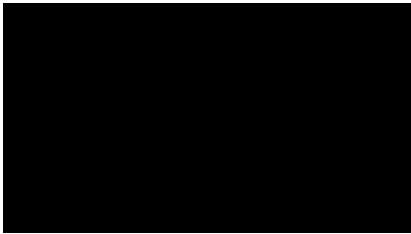
Implementation

17. What is the best means of accessing all relevant audiences for ENS educational materials?
18. What materials and resources would be most suitable to help both ENS and their customers to transition to the AES registration framework?

Synergy has no comment to make in relation to Q.17 and 18.

Please contact Karthi Mahalingham Manager Networks Regulation and Compliance on [REDACTED] [REDACTED] should you have any queries in relation to this submission.

Yours sincerely



SIMON THACKRAY
HEAD OF REGULATION AND COMPLIANCE