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Mr Mark Feather
General Manager, Policy
Australian Energy Regulator
GPO Box 3130
Canberra ACT 2601

By email AERexemptions@aer.gov.au

30 January 2024

Dear Mr Feather,

**Submission to the Australian Energy Regulator:
Review of the AER Exemptions Framework for Embedded Networks**

The Energy and Water Ombudsman (SA) Limited (EWOSA) welcomes the opportunity to submit to the Australian Energy Regulator (AER) on the Review of the AER Exemptions Framework for Embedded Networks.

EWOSA is the independent energy and water ombudsman scheme in South Australia. It receives, investigates and facilitates the resolution of complaints by customers with regard to (*inter alia*) the connection, supply or sale of electricity, gas or water.

EWOSA is a signatory to a joint letter provided by ourselves, Energy and Water Ombudsman New South Wales (EWON), Energy and Water Ombudsman Queensland (EWOQ) and Energy and Water Ombudsman Victoria (EWOV). That letter highlights the substantial amount of evidence already available on the harms experienced by customers of embedded networks.

This submission provides some EWOSA-specific embedded networks case data and also responds to many of the questions posed in the Issues Paper.

Embedded networks with residential customers have been required to become Members of EWOSA since 1 January 2019. At the start of 2024, EWOSA had around 70 embedded network Members. Since the beginning of 2019, EWOSA has had 29 cases from customers of embedded networks, with 14 complaints and 15 enquiries. This does not include cases from energy consumers located in embedded networks who are customers of authorised retailers. Billing has accounted for around two thirds of embedded network cases. General enquiries (enquiries with no specific issue) have accounted for around one sixth of cases.

While EWOSA does not receive the level of complaints from embedded network customers as energy and water ombudsman in the eastern states, mainly reflecting fewer large apartment blocks that have been developed as or converted into embedded networks, EWOSA shares many of the concerns about consumer protections for customers in embedded networks that have been evidenced by the work of energy and water ombudsman.

Another important issue that may limit the number of complaints EWOSA receives from energy consumers located in embedded networks is that they may not realise that they are able to complain to the energy and water ombudsman. We believe that the AER needs to implement an information and education campaign to ensure that customers of embedded networks know of their rights to refer complaints to energy and water ombudsman, as well as other customer protections that they are provided with.

Stakeholder Question 3.

EWOSA believes that all residential and small business customers located in embedded networks should be considered in the embedded networks review or that the AER should consider a separate review for small business customers. Some consideration about how to treat existing embedded network customers should also occur.

EWOSA also agrees with the comments made by EWON in their submission regarding the provision of bulk hot and chilled water and centralised air-conditioning in embedded networks.

Stakeholder Questions 17-18.

We support requiring all current and future embedded network service providers and exempt sellers to be registered on the AER's public registers of exemptions. This would enable identification of operators who should be Members of EWOSA (or other energy and water ombudsman) but aren't and provide the AER with the information to enforce the condition. It should be noted that EWOSA sometimes receives enquiries or complaints from people in embedded networks that aren't Members and that lack of membership means that EWOSA cannot take the case. EWOSA also can't enforce membership.

More generally, requiring registration would provide the AER and stakeholders with more visibility on embedded networks. EWOSA believes the costs of registration are not onerous enough to outweigh the potential consumer benefits.

As alluded to above, a broader requirement for registration of embedded networks should be accompanied by an information and education campaign so that customers of embedded networks know of their rights to complain to energy and water ombudsman and their access to other customer protections.

Stakeholder Questions 19-21.

Given the harms to customers in embedded networks that have already been identified, EWOSA supports strengthening the conditions related to consumer protections.

However, we do not support changing the AER Guidelines to provide extra benefits to customers in embedded networks, where those benefits would be greater than what can be experienced by "on-market" consumers who are not engaged in the market. Changes should be about harm-minimisation and providing consistent customer protections, not increasing benefits. To that end, we do not support the option requiring future embedded networks to submit an application to the AER that demonstrates customer benefits before being permitted to register an exemption. This could create discrepancies in how embedded networks and their customers are treated, between existing and future embedded networks.

Stakeholder Questions 22-23.

Given the above and the costs to both the applicant and the AER, EWOSA does not support requiring an application to register an NR2 network class exemption. The assessments would require significant extra resourcing of the AER and make registration onerous, particularly compared to the simple option of just registering. This would also create discrepancies in how embedded networks and their customers are treated, between existing and future embedded networks.

Stakeholder Questions 24-25.

EWOSA believes that limiting future exemptions would be overkill and could have some negative consequences for non-energy related activities, such as innovation and investment in apartment blocks and caravan parks.

Stakeholder Questions 26-29.

Given the lack of visibility of customers in embedded networks, new reporting obligations for exempt sellers are generally supported by EWOSA, provided that they are not too onerous for operators and provide benefits for stakeholders. Given that pricing in embedded networks seems to be one of the major issues or harms being experienced by some customers within them, we suggest that some metric on pricing is required, perhaps a comparison to the DMO price for example, with some guidance provided by the AER on calculations.

We also support the reporting of compliance breaches by both exempt sellers and embedded network service providers.

Stakeholder Questions 30-32.

EWOSA supports the extension of the identified family violence provisions to operators of embedded networks and exempt sellers. However, we also agree with the comments on page 34 of the Issues Paper on the difficulties that this could impose on these operators and suggest that industry associations or overarching corporate bodies could provide services to their constituents or members on family violence provisions.

Thank you for consideration of this submission. Should you require further information or have any enquiries regarding this submission, please contact me at antony.clarke@ewosa.com.au or on (08) 8216 1861.

Yours sincerely



Antony Clarke
Policy and Governance Lead