

12 March 2024

Australian Energy Regulator
GPO Box 3131
CANBERRA ACT 2601

Submission: Ergon Energy 2025-30 Regulatory Proposal

To Whom It May Concern,

Network Energy Services (NES) is responding to the request for written submissions relating to the Ergon Energy 2025-30 Regulatory Proposal.

About Network Energy Services (NES)

NES is the leading Embedded Network Manager (ENM) and utility services billing service provider for retirement villages (NR3/R3) and over 50's land lease residential communities (NR4/R4), assisting over 160 communities and in excess of 20,000 elderly consumers across Australia.

For the communities that our business assists, the Residents Association or community operator is the Exempt Seller, with all embedded networks registered with the Australian energy Regulator (AER) and the relevant state ombudsman scheme. In the case of Residents Associations, they are the representative resident's committees who set rates for the residents within their village, and all the benefits from the operation of the embedded network are returned to the residents either directly via discounts on resident bills or benefits to the village budget.

NES is a service provider who assists Residents Associations and community operators with the operation of their embedded networks to ensure compliance to relevant embedded network, billing, and consumer regulations. The on-selling of energy is incidental to the core business of retirement villages and over 50s land lease communities (including caravan parks), however our clients maintain all control in relation to price setting and discounts to their residents as the owner and operator of their embedded network infrastructure.

Embedded network tariffs

While we note that Ergon Energy has not proposed to introduce any network tariff changes that specifically relate to embedded networks, we are taking the opportunity to provide feedback on this area.

It is important to note that it is not the distributor that has invested in the embedded network infrastructure, and nor is it the distributor's responsibility to maintain and service this infrastructure. In turn, distributors like Ergon Energy, avoid the capital expenditure and operating expenses for this infrastructure within the embedded network. From a distributor perspective, there is only a single (or several) parent meter connection to their network. Distributors have no other network or metering responsibilities downstream of this parent meter, and so it should be effectively treated the same as any other commercial connection.

The embedded network enables an operator to take complete responsibility for their *private network*, and in the case of retirement villages and over 50's land lease communities (including caravan parks), to pass the benefits through to consumers by structuring in this way.

We consider it important to point out that embedded networks can provide significant benefits to consumers in situations where the best interests of end-user consumers are placed at the forefront of decision making. Retirement villages (NR3/R3) and over 50s land lease communities (NR4/R4) have proven

"Australia's first accredited Embedded Network Manager"

to provide a far greater level of interest and care for their consumers in relation to the operation of their embedded networks. Low income, elderly consumers living within these on-selling communities consistently receive competitively priced utilities, together with tailored customer service provisions for ageing consumers, while also reducing their common area costs.

For consumer led embedded networks, such as retirement villages who are the exempt sellers, the benefits from the operation of the embedded network are returned to consumers via cheaper electricity rates and/or via the community's operating budget or long-term maintenance fund – recognising that they need to maintain the electrical infrastructure within the embedded network.

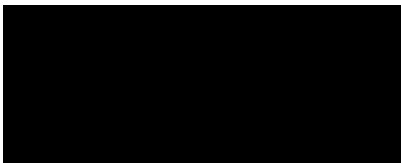
Additionally, for land lease communities in Queensland operating under the *Manufactured Homes Act*, the embedded network operator is unable to charge consumers any more for energy than what they are paying for at the parent meter. Consequently, land lease communities operate their on-selling activities at an overall loss (when factoring in administrative cost).

Existing embedded networks were developed embracing operating models using the current network tariff structures in place. The existing network tariff structures in place that currently cover embedded networks should continue to be aligned with those of other similar commercial metering connections.

As a result of the growth of embedded networks, the AER's current review of the exemptions framework for embedded networks seeks to better understand and balance the harms and benefits for embedded network customers, and identify the best way forward to strengthen existing consumer protections, with a great focus on residential apartments (NR2/R2). Any additional requirements passed through to embedded network operators as part of this review (such as regulatory reporting), will only add further administrative burden and cost to the operation of embedded networks.

Network Energy Services has been assisting community Exempt Sellers for over 20 years, and we welcome any queries relating to this submission.

Yours sincerely,



Damian Arsenis
General Manager
Network Energy Services

