

Review of the AER exemptions framework for embedded networks

Draft decision, incorporating Notice of Draft Instruments

Draft Retail Exempt Selling Guideline
Draft Network Exemptions Guideline
(versions 7)

March 2025

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Making a submission

Interested parties are invited to make written submissions to the AER regarding the draft *Retail Exempt Selling Guideline* and the draft *Network Exemptions Guideline* by close of business, Monday, 28 April 2025.

Submissions should be sent electronically to: AERexemptions@aer.gov.au

Alternatively, you may mail submissions to:

Stephanie Jolly
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GPO Box 3130
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Publishing submissions

The AER prefers that all submissions be publicly available to facilitate an informed and transparent consultative process. Submissions will be treated as public documents unless otherwise requested.

Parties wishing to submit confidential information are requested to:

- clearly identify the information that is the subject of the confidentiality claim, and
- provide a non-confidential version of the submission in a form suitable for publication.

All non-confidential submissions will be placed on the [AER's website](#). For further information on the AER's use and disclosure of information provided to it, see the [ACCC/AER Information Policy](#).

Enquiries about this paper, or about lodging submissions, should be directed to the Compliance and Enforcement Branch of the AER on 1300 585 165 or AERexemptions@aer.gov.au.

Executive summary

Embedded networks are private electricity networks serving multiple customers. Examples of residential embedded networks include caravan parks and some apartment blocks.

Examples of business embedded networks include some shopping centres and business parks.

The national energy laws and rules govern energy supply and selling within embedded networks. Energy sellers and network operators must be authorised or registered, respectively, as participants under the standard energy framework or exempted from this requirement. The AER administers the part of the regulatory and legislative framework for embedded networks that exempts eligible entities from aspects of the standard energy framework. We govern this exemptions framework through our *Network Exemptions Guideline*¹ (Network Guideline) and *Retail Exempt Selling Guideline*² (Retail Guideline).

Although it is common practice for prospective embedded network operators to seek an AER network exemption, it is increasingly common for authorised retailers (as opposed to exempt energy sellers³) to sell energy within embedded networks.

The number of embedded networks has grown rapidly in recent years. Accompanying this growth, stakeholders have raised concerns about regulatory gaps that have exposed customers to harms, particularly because most embedded network customers cannot easily change their energy seller.

Due to concerns around poor consumer outcomes for embedded network customers, we commenced the *Review of the AER exemptions framework for embedded networks* in 2023 to understand the benefits, harms and risks to embedded network customers, and to determine whether we should make changes to the framework, including restricting the growth of residential embedded networks.

To inform our decision-making, we have consulted widely with industry and stakeholders. Additionally, we have commissioned research into embedded network customer outcomes and sought consultant expertise on potential family violence protections.

Future regulation of embedded networks

We do not currently propose to restrict the development of residential embedded networks. The information we have collected over the course of the review does not indicate that, at this time, there are sufficient grounds (such as evidence of ongoing harms experienced by large numbers of embedded network customers) to warrant such measures. There are also potential benefits to consumers and the grid from embedded network and exempt seller arrangements.

However, we have identified some systemic risks in embedded network arrangements, including where those networks are served by authorised retailers.

¹ [Network Guideline \(version 6\)](#), Australian Energy Regulator.

² [Retail Guideline \(version 6\)](#), Australian Energy Regulator.

³ For example, bodies corporate.

This includes:

- the current regulatory framework for embedded networks not providing the same level of consumer protection to embedded network customers as is provided to grid-connected retail customers. Examples of consumer protection differences (or ‘gaps’) which create risks include the absence of a legislative Retailer of Last Resort framework, life support protections, legislative price protections and the obligation to supply protections for embedded network customers who purchase energy from authorised retailers.
- lack of customer choice. Despite rules in place to ensure embedded network customers have meters that can facilitate them to go ‘on market’ (that is, they can purchase their energy from a retailer of their choice), challenging practical barriers make it difficult for them to do so. These barriers include high cost, a complex process and authorised retailers not being required to make offers for embedded network customers. Participants in Bastion Insights’ consumer research highlighted the lack of choice as an area of frustration for embedded networks customers. These barriers affect retailer and exempt customers wanting to go on-market.

The AER also faces challenges with monitoring and enforcing exempt entity compliance due to reduced visibility of some embedded networks. This lack of visibility, combined with the continued growth of embedded networks, substantially increases the risk of future harms for embedded network customers. However, addressing many of these consumer protection gaps is beyond our regulatory remit and cannot be addressed through our guidelines alone. Action is required by jurisdictional governments to reform the energy laws and rules. This is especially the case for continuity of supply protections and requirements placed on authorised retailers serving embedded network customers.

A holistic approach to tackling regulatory issues would ensure that consumers have the same level of protection where practical, regardless of how their energy is obtained. However, the current framework precludes such an approach. The AER’s exemptions framework is the only regulatory tool available to us to support the objective of equivalent consumer protections for all energy consumers. As such, while reforms are considered by governments, we are proposing guideline amendments that will provide practical benefits. These include improving the level of consumer protection and improving our visibility of embedded networks, while minimising cost and regulatory burden for exempt entities. These were key themes raised by stakeholders in submissions.

We encourage stakeholders to submit their views on the draft guidelines. These submissions will inform the final guidelines, which we aim to publish in the third quarter of 2025.

Structure of this paper

Part A forms the draft decision for the *Review of the AER exemptions framework for embedded networks*. It sets out our consideration of the major policy issues we raised in the issues paper.

- **Section 3** discusses stakeholder feedback about the factors driving the growth in large residential embedded networks.
- **Section 4** sets out our assessment of the benefits of embedded networks, based on the available information, while **Section 5** discusses the harms and risks.

- **Section 6** sets out our position on the future regulation for embedded networks and sets out our assessment of the various policy options we looked at.

Part B sets out our proposed changes to the guidelines, including an explanation in accordance with our consultation procedures under the *National Electricity Rules*⁴ and *National Energy Retail Rules*.⁵

Appendix A outlines the feedback we received from stakeholders, through submissions to both our 2023 issues paper and our 2022 draft Network Guideline.

Appendix B sets out our proposed exempt seller conditions on family violence and a comparison with the rules for retailers.

⁴ Rule 8.9, National Electricity Rules.

⁵ Rule 173, National Energy Retail Rules.

Part A – Draft decision

1 Overview

Background to the review

The exemptions framework was originally designed to regulate a relatively homogenous and simple energy retail market, where the supply and sale of energy in embedded networks was regarded as an incidental aspect of the relationship between a landlord or body corporate and the occupants of an embedded network site. Many embedded networks existed before the commencement of the National Energy Customer Framework (NECF).⁶ When the NECF was introduced, energy consumers under ‘traditional’ supply arrangements (i.e. their premises were directly connected to the grid) were afforded improved consumer rights and protections compared with exempt customers. Over time, these consumers’ protections have expanded and evolved.

The National Energy Retail Law (Retail Law) requires the AER to apply like-for-like consumer protection obligations on exempt entities through our guidelines, where this is practical. However, there have been some limits on our capacity to do. This is in part due to legislative gaps in the Retail Law and National Energy Retail Rules (Retail Rules), which impact embedded network customers serviced by authorised retailers. We are also limited by the regulatory costs that would be incurred by exempt entities where energy selling is not their core business. For many small-scale exempt sellers, it would not be practical for them to comply with the regulatory requirements placed on authorised retailers by the NECF.

The growth in embedded networks and the consumer harm concerns raised in jurisdictional inquiries, prompted the AER to commence this review.

In November 2023, we published an issues paper seeking information and stakeholder views about these issues. The national energy laws allow us scope to make changes to the guidelines to address concerns.⁷

The objectives for the review were to:

- better understand the benefits of embedded networks and the extent to which customers are receiving them
- better understand the harms, or risk of harms, embedded network customers may be facing
- determine whether action is needed to redress any imbalance in harms and benefits, including whether we should amend our guidelines to restrict the growth of future

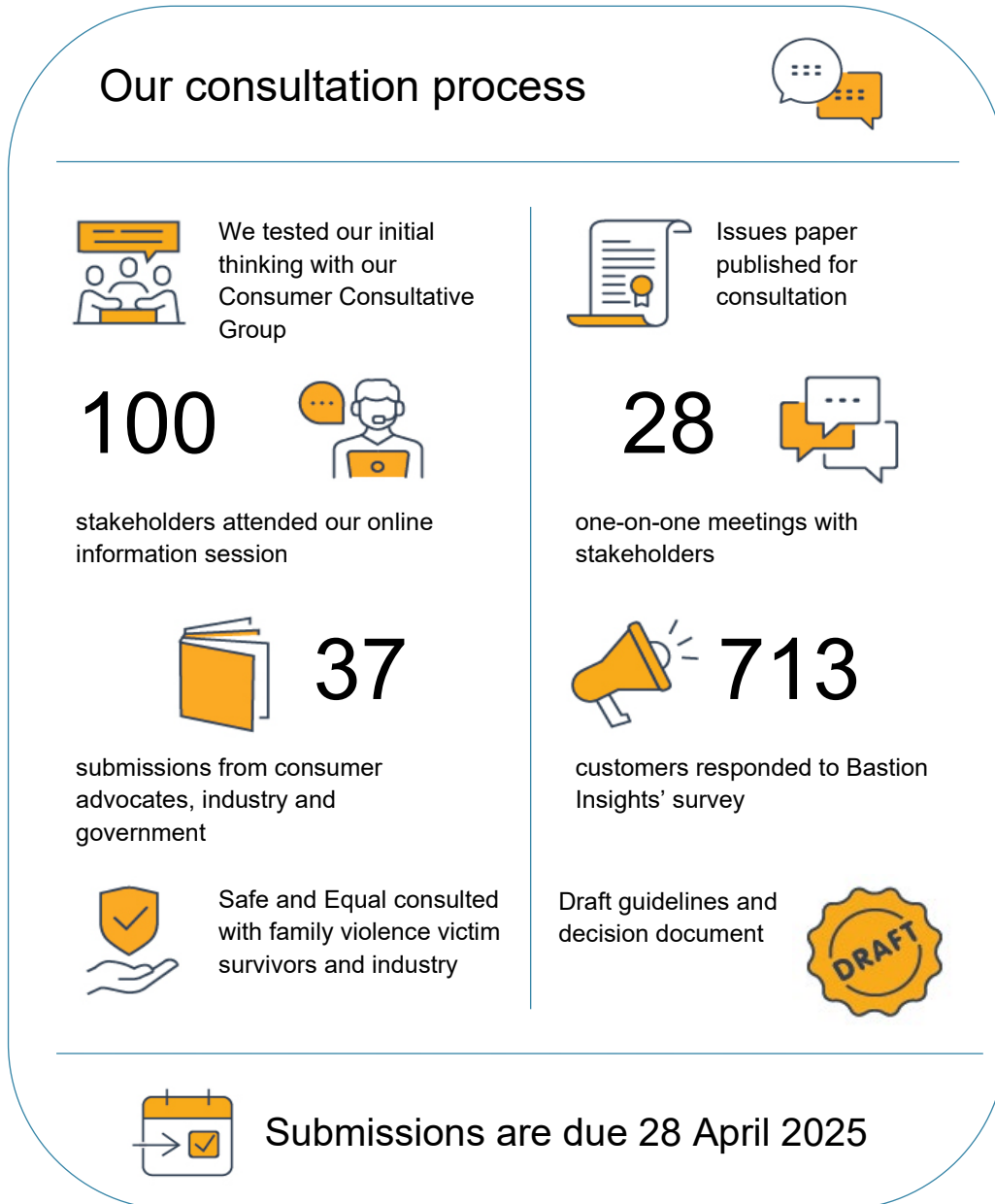
⁶ The NECF consists of the Retail Law and Rules, along with the frameworks for small customer connections in the National Electricity Law and Rules and National Gas Law and Rules. The NECF commenced in the ACT and TAS on 1 July 2012, in SA on 1 February 2013, in NSW on 1 July 2013 and in QLD on 1 July 2015.

⁷ AER, [Issues paper – Review of the AER exemptions framework for embedded networks – November 2023](#), Australian Energy Regulator.

residential embedded networks, strengthen protections for existing embedded network customers and improve overall transparency.

Our consultation process

The AER has consulted extensively with stakeholders throughout this review to inform our future approach. Our consultation process is summarised in the infographic below.



We also commissioned Bastion Insights to survey embedded network customers and interview them about their experiences. Bastion Insights surveyed more than 700 embedded network and retail market customers and received in-depth qualitative responses from 47 embedded network customers on their experiences. This research informed our understanding of customer outcomes, especially given the lack of transparency in embedded networks.

Bastion Insights' final report has been published on our website⁸ and is referenced in sections 4 and 5, where we discuss the benefits and harms of embedded networks.

Scope and approach

Given the concerns raised in previous jurisdictional inquiries, we proposed in the issues paper to focus regulatory improvements on:

- Supply of energy to higher-density residential embedded networks (this may include apartment complexes, duplexes or townhouses). Network exemptions for these types of dwellings are where we have seen the largest growth. They capture the greatest number of customers and have the greatest potential for future growth.
- Improving compliance and performance monitoring and extending family violence protections to embedded network customers.

Some stakeholders suggested we expand our scope to include the supply of bulk hot or chilled water within embedded networks.⁹ However, the sale of bulk hot/chilled water currently falls under the general provisions of the Australian Consumer Law. It does not fall within the National Electricity Customer Framework (NECF) because it is not a sale of electricity or gas for premises.

We recognise that the lack of specific consumer protections over these services means customer non-payment could result in disconnection at any time, bills may not include adequate usage information and sellers may not have appropriate dispute resolution processes in place. We consider that the question of whether to extend regulatory protections for these services under the NECF is ultimately a policy decision that rests with jurisdictional governments. This is beyond the scope of our current considerations, and we flag it as an issue for governments to consider further.

We proposed a range of criteria to guide our consideration of regulatory options, including extent of harms and benefits, costs to exempt entities, administrative costs for the AER and our ability to monitor and enforce compliance.

Stakeholders generally agreed that our proposed focus should be on larger residential embedded networks, as many considered this group the fastest growing and posing the greatest risk of harm to consumers.¹⁰ Some stakeholders considered the review scope should be expanded to cover retirement villages, commercial embedded networks and existing (legacy) residential embedded networks.¹¹

Given most of our stakeholders supported the proposed review scope, we have decided to largely maintain the scope set out in our issues paper. However, some of our proposed changes to the guidelines will improve outcomes for customers in other types of embedded networks set out above. We discuss these changes in more detail in Part B.

⁸ Bastion Insights, *Review of the Exemptions Framework for Embedded Networks Research Report*, May 2024.

⁹ Joint ombudsmen pp. 12–13; EWOSA p. 2; EWOQ p. 2; JEC/PIAC pp. 4–5; Tenants Union NSW p. 2.

¹⁰ ACTCOSS p. 1; Active p. 10; AEMC p. 1; AEMO pp. 1–2; Alinta pp. 1–3; Altogether pp. 4–5; CCIA p. 5; City of Sydney p. 2; Compliance Quarter p. 1; COTA pp. 4–6; ECA pp. 3–4; Energy Intelligence p. 2; ENM Solutions p. 2; Joint ombudsmen p. 7; EWOSA p. 2; Network Energy Services p. 2; OCN p. 8; Origin p. 2; Sherry p. 3.

¹¹ ACTCOSS p. 1; CPSA pp. 4–5, 8; Department for Energy and Mining SA p. 3; ENM Solutions pp. 1–2; JEC/PIAC p. 8; NSW DNSPs p. 4; Tenants Union NSW p. 2.

2 How the AER regulates embedded networks

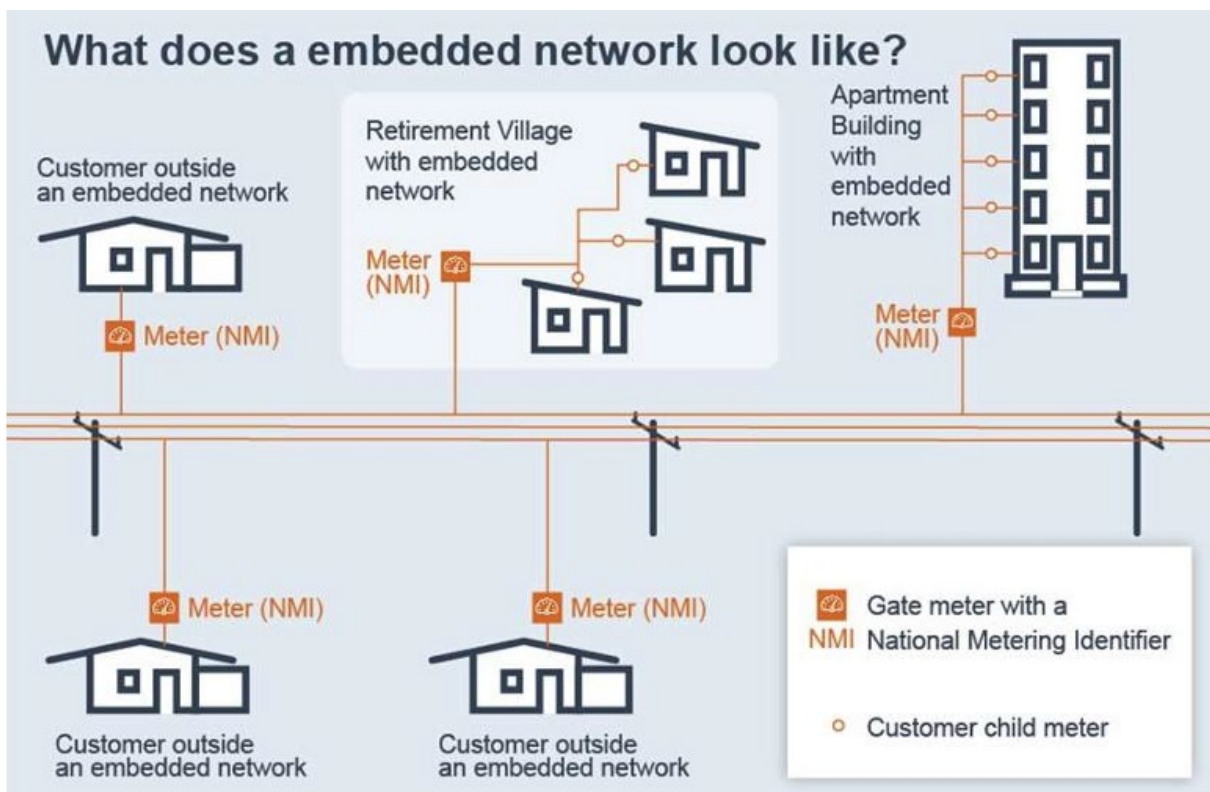
The AER regulates who can operate embedded networks and on-sell energy within them under our exemptions framework via the guidelines.

How embedded networks are configured

In some sites the electrical wiring is configured in such a way as to enable the owner of the site to sell energy to all its tenants or residents. This is known as an embedded network.

A typical embedded network includes a ‘parent’ meter at the entry of the embedded network (which is directly connected to the grid) and individual ‘child’ meters behind the parent meter, which record metered energy for each premises. The gate meter has a National Meter Identifier (NMI), which makes it visible in Australian Energy Market Operator’s (AEMO) market settlement system. Most newly developed embedded networks include child meters that can be assigned NMIs, allowing customers to access competing retailer offers. However, this is not always the case. Figure 1 shows the typical metering configuration for a residential embedded network.

Figure 1 Typical embedded network configuration



In a residential embedded network, energy is usually sold to customers in one of two ways:

- by bodies corporate¹² or site owners, who usually on-sell energy bought from an authorised retailer to their embedded network customers; these on-sellers are called

¹² These may include owners’ corporations, community title schemes and strata committees.

exempt sellers – throughout this document we refer to customers of exempt sellers as exempt customers

- by retailers who already hold an AER authorisation to supply customers in the broader market – in this document we refer to their customers as retailer embedded network customers.

We use the term ‘embedded network customers’ generically to cover both.

Network Guideline

Under clause 2.5.1 of the National Electricity Rules (Electricity Rules), the AER may exempt entities from the requirement to register with AEMO as a network service provider, where the AER considers this would be administratively burdensome to do so. For example, in small private networks where supply of energy is not the network operator’s core business, including where the network owner or operator is also the property owner, landlord or body corporate.

Our Network Guideline sets out the processes for registering and applying for network exemptions. The AER places conditions on exempt network service providers to provide a range of consumer protections based on the obligations that apply to network service providers. Network conditions include (but are not limited to) those relating to safety, access to retail competition and pricing restrictions.

Retail Guideline

Under section 110(1) of the Retail Law, the AER may exempt energy sellers from holding an authorisation in certain situations. For example, where the seller is selling energy incidentally (i.e. the sale is not the seller’s core business) or where the cost of having an authorisation outweighs the benefits to customers.





Our Retail Guideline sets out the processes for registering and applying for retail exemptions, including the exemption classes, eligibility criteria and the conditions the AER may impose.

The Retail Law requires the AER to ensure embedded network customers are, as far as practicable, not denied customer protections afforded to grid-connected retail customers.¹³ Unlike authorised retailers, exempt sellers generally do not sell energy as their core business and may lack the economies of scale and scope from which retailers benefit. The AER aims to balance its goal to mitigate potential customer harm with keeping the conditions simple and manageable for exempt sellers so they can comply. Retail conditions support key customer protections, including obligations to assist customers experiencing vulnerability, pricing restrictions and dispute resolution requirements.

Table 1 sets out the broader legislative and regulatory frameworks for embedded networks, which the guidelines sit within.

¹³ Section 113(c) of the Retail Law.

Table 1 Legislative and regulatory framework for embedded networks

<p>Energy Laws </p> <p>National Energy Retail Law</p> <p>Core protections for customers of authorised retailers</p> <p>Sets out the AER’s powers to grant retail exemptions, including factors we should, or must, consider</p> <p>National Electricity Law</p> <p>Sets out the governance and enforcement framework for the regulation of electricity networks and network service providers.</p> <p>Changes require agreement of state & territory energy ministers to progress</p>	<p>Energy Rules </p> <p>National Energy Retail Rules</p> <p>Detailed consumer protections for retail market customers. Framework for the exempt selling regime, including the AER’s ability to impose conditions on sellers.</p> <p>National Electricity Rules</p> <p>Rules for electricity networks and network service providers, including exemptions from registering as a network service provider. Sets out the role of Embedded Network Managers to assist embedded network customers to go on-market.</p> <p>The AEMC administers the rules framework.</p>	<p>Exemption Guidelines </p> <p>Retail Exempt Selling Guideline</p> <p>Core consumer protections for customers of exempt sellers</p> <p>Network Exemptions Guideline</p> <p>Framework for who can own, operate or control an exempt electricity network. Includes obligations regarding safety, access to competition, and metering.</p> <p>The AER has discretion to amend the guidelines.</p>	<p>Australian Government/ jurisdictional laws & regulations </p> <p>Embedded network-specific rules and legislation – e.g. that prevent on-sellers profiting on the sale of energy in certain embedded network scenarios</p> <p>Other areas where jurisdictional arrangements may impact embedded network customers:</p> <ul style="list-style-type: none"> • Strata legislation • Concessions & rebates eligibility and delivery • Price regulation - Default Market Offer & state/territory regulated standing offer prices
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3 Growth in embedded networks

Since 2017, we have received an increasing number of exemption registrations for residential embedded networks (apartment complexes) with 10 or more premises. The most significant growth appears to be in New South Wales (NSW) and South East Queensland. Growth is an important factor in our consideration of regulatory options because it impacts the future risk of harms, our ability to monitor compliance and our administrative costs. As part of this review, we sought to understand the factors driving growth, including seeking stakeholders' views on this topic.

Stakeholders supported the view that embedded networks have likely become the default wiring configuration for new residential developments,¹⁴ particularly in those states experiencing high growth.¹⁵ One of the trending factors appears to be the practice of developers contracting a third party to install and operate embedded network infrastructure in new residential developments. Stakeholders noted strong commercial incentives for developers and operators to use these arrangements, including:

- it is cheaper and faster than traditional grid-connected arrangements, which require engagement with distribution networks¹⁶
- developers can avoid the capital costs associated with the infrastructure because the third party pays for the infrastructure and recovers its investment costs under a long-term service contract with the body corporate¹⁷
- it provides secure returns for third parties through long-term service contracts.¹⁸

Stakeholders held diverging views about whether such arrangements were harmful or beneficial to energy consumers, which we discuss in sections 4 and 5.

Stakeholders also observed additional drivers of growth, including that some councils offered incentives to developers to install embedded network infrastructure in their buildings to help achieve local sustainability targets,¹⁹ population growth and trends towards higher density living,²⁰ and greater awareness by small exempt entities of the obligation to register networks.²¹

While the rapid growth of embedded networks is evident, other recent developments may impact the incentives for parties to establish new embedded networks, particularly in NSW. From mid-2024, NSW electricity distribution networks commenced phasing in new network tariffs for embedded networks, where the total usage qualifies as a large user.

¹⁴ Active p. 15; Altogether p. 6; the body corporate of 6 Parkland Blvd p. 4; EWOQ p. 1; NSW DNSPs p. 4; Origin p. 3; SUPA p. 4.

¹⁵ For instance, Origin Energy indicated in its submission that in Queensland, embedded networks are the default arrangements for apartment developments above 20 units; while in New South Wales, it is common for complexes with more than 50 units to be configured as embedded networks.

¹⁶ Energy Intelligence p. 2; Energy Locals pp. 2–3; Origin p. 5; Sherry p. 3.

¹⁷ The body corporate of 6 Parkland Blvd pp. 3-4; City of Sydney p. 2; EWON p. 7; OCN p. 5; Sherry pp. 4-5.

¹⁸ JEC/PIAC p. 6.

¹⁹ Sherry p. 4, citing AEMC 2017 *Retail Energy Competition Review*, p. 154.

²⁰ Active p. 12; Alinta p. 3; CCIA p. 5; Origin p. 3.

²¹ Alinta p. 3; ATPT p. 3; CCIA p. 5; CPAQ p. 5; Energy Intelligence p. 2; Sherry p. 4.

The AER approved these tariffs as part of the distribution businesses' 2024–29 revenue determinations. These network tariffs are designed to improve distributor recovery of network costs and address the cross-subsidy of embedded networks by non-embedded network customers created by previous network tariffs. This will result in the average network bill for embedded network operators increasing by 30% over the tariff's 7-year implementation period in the Ausgrid region. The previous cross-subsidy created the opportunity for operators to charge lower prices in embedded networks while retaining a profit margin, and this commercial advantage may erode as the distribution networks implement the new network tariffs. This may have implications for embedded network customers and the commercial viability of future embedded networks.²²

We note embedded network operator/retailer Active Utilities' views that the introduction of the tariff would force its NSW networks into substantial losses and that most operators in NSW would struggle to continue operating. Active Utilities considered that this may lead to operators exiting the market.²³ If the network tariffs impact commercial viability to this degree, it suggests the growth of new networks in NSW may slow.

In contrast, distribution businesses in Queensland and South Australia have not proposed embedded network tariffs in their regulatory proposals for 2025–30. While South Australia has a relatively small number of networks, our issues paper noted that Queensland is one of the states where we have seen significant embedded network growth.

The Housing Industry Association forecasts that around 52,000 multi-unit dwellings will commence construction in Queensland between 2024–25 and 2026–27, with numbers increasing year-on-year to the end of the decade.²⁴ Noting Origin Energy's estimate that most complexes with more than 20 residents are being built as embedded networks in Queensland,²⁵ it suggests embedded networks will continue to grow rapidly in .

²² AER Final Determination, *Ausgrid 2019–24 Tariff Structure Statement*, p. 9.

²³ Active Utilities, Submission to *AER Determination – Ausgrid – 2024-29 Revised regulatory proposal*, January 2024, p. 5.

²⁴ Housing Industry Association, [Apartments, multi-res and detached home builds must all fire to meet QLD housing targets](#), media release, 15 May 2024.

²⁵ Origin p. 3.

4 Benefits of embedded networks

In the issues paper we sought stakeholder feedback on the potential benefits of embedded networks and the extent to which individual customers are receiving them. This section sets out our review findings on this issue.

We have found that embedded networks can be beneficial for some customers, including better price outcomes and create the potential for community and grid benefits.

These include the potential to create incentives for developers and operators to invest in more energy efficient energy infrastructure, such as solar panels and batteries, while centralised management may facilitate opportunities to participate in grid services.

These findings have helped inform our position on whether action to restrict the growth of future residential embedded networks is warranted (discussed further in section 6).

Price outcomes for embedded network customers

Our view on embedded network customer pricing outcomes has been informed by a range of new information received through this review. This includes price data provided by retailers and exempt sellers, Bastion Insight's analysis, and the Australian Competition and Consumer Commission's (ACCC) analysis of retailer embedded network customer bills in its June 2024 *Inquiry into the National Electricity Market* report.²⁶

While the price data indicates embedded network customers experience a range of price outcomes, there is no evidence of systemic price harms. The information we have indicates a material proportion of embedded network customers are paying comparable, or lower, prices than what they would pay if they were directly connected to the grid.

Bastion Insight's research concluded around 1 in 5 embedded network customers paid below the best market offer available in their region.²⁷ It found that the average discount to the default market offer (DMO) price²⁸ was 14%.²⁹

The ACCC analysis of bill data from 8 authorised retailers was broadly consistent with Bastion Insights' findings. It found that:

- on average, residential electricity bills in embedded networks paid similar prices to, or lower than, those paid by grid-connected retail customers, depending on region³⁰

²⁶ ACCC, [Inquiry into the National Electricity Market, June 2024](#), Australian Competition and Consumer Commission

²⁷ Bastion Insights, *Review of the Exemptions Framework for Embedded Networks Research Report*, May 2024, p. 17.

²⁸ The DMO price cap was introduced to prevent market retailers charging customers excessive prices. It is set annually by the AER, based on the costs of retailers operating in the competitive market. While it does not currently apply to some embedded network customers, it provides a benchmark for an uncompetitive electricity price.

²⁹ Bastion Insights, *Review of the Exemptions Framework for Embedded Networks Research Report*, May 2024., p. 17.

³⁰ ACCC, [Inquiry into the National Electricity Market, June 2024](#), Australian Competition and Consumer Commission, p. 6.

- roughly 2 in 5 customers paid 10–20% below the DMO price³¹ – double the number of grid-connected retail customers who paid prices within this range
- around 1 in 10 customers paid 30–50% below the DMO, while hardly any grid-connected retail customers paid prices within this range.³²

Lived experience – Good price outcomes

“I often compare the pricing with [a range of retailers]. I'm quite satisfied as the rates are very competitive.”



- Owner, 38, Sydney, customer of an exempt seller

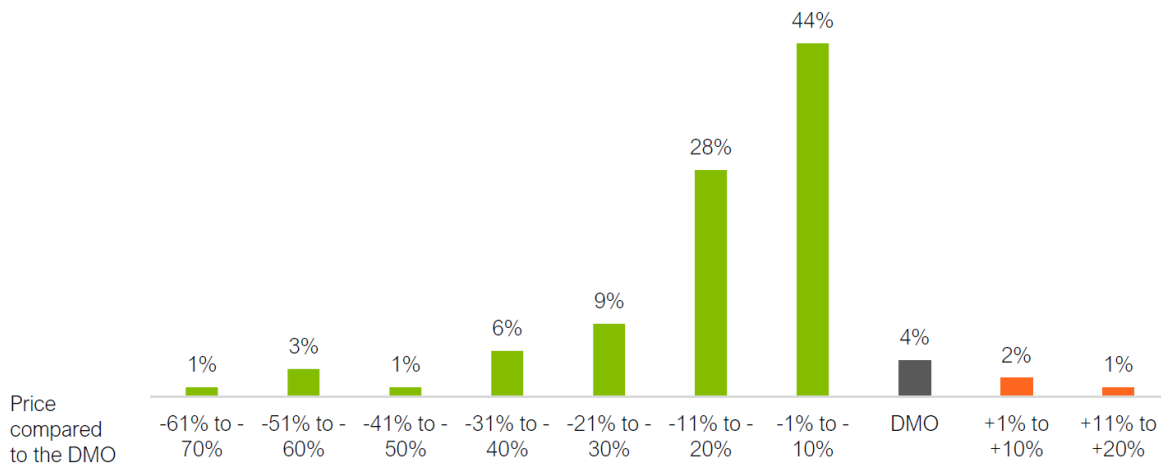
“I printed my bill and showed my brother who is into looking up prices of electricity companies, etc. He said I have a really good deal with the company I have got the embedded network with.”

- Renter, 52, Regional NSW, customer of an exempt seller

At the upper end of price outcomes, the information indicates that a proportion of embedded network customers paid high or uncompetitive prices. The ACCC found that 7% of customers paid above the relevant DMO price.³³ Similarly, 7% of prices in Bastion Insights’ bill analysis were above the relevant DMO price.³⁴

Figure 2 shows Bastion Insights’ bill analysis findings on the range of price outcomes, as a percentage above or below the relevant DMO price.

Figure 2 Distribution of embedded network prices in comparison to the DMO



³¹ Or another regulated price, outside the DMO jurisdictions of NSW, SA and SE Qld jurisdictions.

³² ACCC, *Inquiry into the National Electricity Market, June 2024*, Australian Competition and Consumer Commission, p. 102.

³³ ACCC, *Inquiry into the National Electricity Market, June 2024*, Australian Competition and Consumer Commission, p. 102.

³⁴ Bastion Insights, *Review of the Exemptions Framework for Embedded Networks Research Report*, May 2024., p. 17.

Case studies – price benefits facilitated by embedded networks

- As evidence of the scale of discounts that are available when a seller is motivated (or required) to pass on savings via lower energy prices, the body corporate of an apartment complex in South East Queensland provided pricing information showing how lower network costs, and the ability to purchase energy as a large customer, enabled it to offer rates around 50% below the rates of market retailers in the region.
- Some stakeholders considered the ability to negotiate longer-term energy contracts provided price stability for sellers and customers.³⁵ For example, one seller highlighted that one of its sites saw price increases of less than 10% during the period of market volatility that occurred between 2021 to 2024, compared with 30–40% for grid-connected retail customers.



Shared consumer energy resources, sustainability and grid benefits

Stakeholder feedback highlighted the potential for embedded networks to facilitate greater use of sustainable and efficient energy technologies, such as solar, batteries, EV charging and heat pump hot water systems, compared to grid-connected developments. This could have benefits for individual consumers, as well as wider benefits for emissions reduction and grid efficiency, by enabling more rapid electrification of the grid, reduced curtailment of renewable energy and avoiding costly network infrastructure.³⁶

Some stakeholders noted that a key benefit of embedded networks was the ability for residents to directly share in benefits of CER³⁷ by reducing their consumption from the grid, a key price benefit that has generally not been possible in grid-connected apartments.³⁸ This was in comparison to grid-connected complexes, where electricity generated would typically only be available to offset consumption in common areas.

Although we did not receive information to indicate how widespread CER sharing arrangements are in embedded networks, we agree that this is a benefit not widely available to grid-connected customers at present.

Additionally, some stakeholders highlighted that the centralised management of a building's energy system, under the embedded network model, has the potential to facilitate benefits for the grid, owners and the energy transition. These included participation in demand

³⁵ The body corporate of 6 Parkland Blvd p. 7; Humenergy p. 2.

³⁶ Active Utilities p. 14; City of Sydney p. 1; EV Council p. 4.

³⁷ Such as solar panels, batteries and electric vehicle charging facilities.

³⁸ Active pp. 14, 17; Altogether p. 7; City of Sydney p. 4; Energy Locals pp. 3–4; ENM Solutions pp. 3–4; SUPA pp. 8–9.

response management, CER orchestration, load shifting, and ancillary services (such as frequency regulation and voltage control).³⁹

We did not receive information to indicate how widespread such arrangements currently are. In the current transition to a more decentralised energy system, it could be desirable for operators or owners of embedded networks to develop more sophisticated energy management systems. If so, they may be a source of sustainability and grid benefits in the future.

In this context we note the Victorian Government's introduction of renewable energy conditions on new embedded networks requiring that 5% of electricity consumed in a residential network be provided by on-site renewable generation, while all electricity must be provided by a combination of on and off-site renewable sources.⁴⁰

Building efficiencies of embedded networks

Stakeholders submitted other potential benefits of embedded networks, which we considered when weighing possible policy approaches. Some industry stakeholders submitted that embedded networks were a more cost-effective approach to high-density development than grid connection, noting that shared infrastructure can be cheaper to build and easier to organise.⁴¹ Some observed that reduced build time and costs could be beneficial for apartment buyers, resulting in lower sale prices for new apartments or lower ongoing fees.⁴²

Overall, we consider that price benefits for apartment purchasers would be limited given that, as noted by some stakeholders, the end cost of housing is determined by market factors, which may not be directly linked to construction costs.⁴³ Consequently, we did not place significant weight on this factor in our consideration of regulatory options and their impacts.

³⁹ Active Utilities, p. 14; City of Sydney, p. 1; Energy Locals pp. 3–4, 6; Humenergy, p. 3; NSW DNSPs, p. 4; SUPA p. 8.

⁴⁰ Department of Energy, Environment and Climate Action, [Victorian Government response to the Embedded Networks Review, DEECA July 2022](#).

⁴¹ Altogether p. 6; Energy Intelligence pp. 2–3; Energy Locals pp. 4–5; SUPA p. 6.

⁴² Altogether, p. 6; Active p. 17; Energy Intelligence p. 3; SUPA p. 7.

⁴³ ACTCOSS p. 2; CPSA p. 9; JEC/PIAC p. 8; OCN p. 9.

5 Harms and risks in embedded networks

Through this review we have sought to better understand the harms, or risks of harms, embedded network customers may be facing. As part of the issues paper, we sought stakeholder views on this topic.

Previous embedded network reviews have highlighted the risks associated with the monopoly structure of most embedded networks. This includes the risk of price exploitation and poor service faced by customers due to their limited access to retail competition. Many submissions to our issues paper highlighted these risk factors. They also emphasised risks related to the lower level of consumer protection embedded network customers receive when compared to grid-connected retail customers, and the more limited compliance monitoring and enforcement oversight. Others highlighted the greater vulnerability of embedded network customers in caravan parks, land lease communities, and retirement villages.

Our review has also sought to understand the extent to which these risks are resulting in harms to customers. In addition to stakeholder submissions, we have also been informed by Bastion Insights' qualitative and quantitative research, and the ACCC's June 2024 *Inquiry into the National Electricity Market* report, which looked mainly at price outcomes for retailer embedded network customers.

This section outlines our findings in relation to the risks and harms of embedded networks for customers. These findings have helped inform our position on whether action is needed to restrict the growth of future residential embedded networks (discussed in section 6).

Price risks and harms

As set out in section 4's discussion on price benefits for embedded network customers, the available price data indicates embedded network customers experience a range of price outcomes and there is no evidence of systemic price harms. The information we have reviewed indicates a material proportion of embedded network customers are paying comparable or lower prices than they would pay if they were directly connected to the grid.

The ACCC's bill analysis indicates that around 7% of embedded network customers paid above the DMO price in their region, while Bastion Insights' analysis (of around 100 bills) found a similar proportion paid the DMO price or higher.

Given the lower network and energy purchase costs associated with supplying an embedded network, it is unclear why any embedded network customer would be charged above the DMO or would accept this outcome if they could easily switch provider. Unlike exempt customers, who receive price protection under the Retail Guideline,⁴⁴ retailer embedded network customers currently receive no price protections. This is because the DMO regulations specifically exclude these customers. In this context, the lack of price protection

⁴⁴ Condition 7 of the Retail Guideline sets out that an exempt seller must not charge an exempt customer tariffs higher than the standing offer price that would be charged by the relevant local area retailer for new connections, if the local area retailer were to supply that quantity, or estimated quantity, of energy directly to the premises of the exempt customer.

for retailer embedded network customers is a gap in the consumer protection framework that is leading to harms for some customers.

The Australian Government Department of Climate Change, Energy, Environment and Water (DCCEEW) consulted in 2022 on changes to the regulation that gives effect to the DMO, including whether the price cap should be extended to retailers' embedded network customers.⁴⁵

We support broadening the current DMO protections to embedded network customers in DMO regions. This approach would align pricing protections for grid-connected and embedded network customers. It would also afford similar pricing protections for both embedded network customers supplied by authorised retailers and exempt sellers.

The AER considers it appropriate for all consumers to receive comparable pricing protections, regardless of their connection type, and supports the extension of the DMO price cap to embedded networks as soon as is practical. We have publicly stated our position in our submission to the Australian Government's 2022 *Review of the Competition and Consumer (Industry Code – Electricity Retail) Regulations 2019 (the Code)*, which proposes to extend the price cap protection provided by the DMO to embedded network customers.⁴⁶

Barriers to accessing competition

The ACCC's analysis highlighted that few embedded network customers have transitioned to become on-market retail customers.⁴⁷ This is despite having the right to do so under the energy rules. The ACCC identified obstacles embedded network customers may encounter when trying to go on market. These include acquiring an NMI⁴⁸ to ensure their meter is visible in AEMO's market settlement system, ensuring compliant metering and wiring, and finding a retailer prepared to make them an 'energy only' offer.^{49,50}

Consumer representatives and other stakeholders submitted the lack of competition was a key factor increasing the risk of embedded network customers experiencing poor price and service outcomes.⁵¹ Some stakeholders highlighted that the ability to easily switch providers would mitigate many harms and risks as competitive pressure would provide an incentive for sellers to provide competitive prices and service.⁵²

For many customers, the absence of choice can be frustrating. Many participants in Bastion Insights qualitative responses reported strong negative feelings about discovering they were

⁴⁵ DCCEEW, [Consultation on implementation of 2022 Default Market Offer review outcomes](#).

⁴⁶ AER, Submission to the *DCCEEW directions paper*, 2 February 2022; Submission to the *DCCEEW discussion paper*, 8 October 2021.

⁴⁷ ACCC, *Inquiry into the National Electricity Market, June 2024*, Australian Competition and Consumer Commission, p. 68.

⁴⁸ A customer's NMI (National Meter Identifier) is a unique number for the electricity connection at their address.

⁴⁹ An 'energy only' offer is a retail offer that excludes network charges. Embedded network customers without such an offer may end up double-paying the network charge.

⁵⁰ ACCC, *Inquiry into the National Electricity Market, June 2024*, Australian Competition and Consumer Commission, p. 69.

⁵¹ ACTCOSS p. 3; AEMC p. 2; the body corporate of 6 Parkland Blvd p. 2; CPSA pp. 9–10; EWOQ p. 5; JEC/PIAC p. 10.

⁵² Active Utilities p. 25; AEMC p. 2.

'locked in' to one provider, while 3 in 5 survey respondents said they would switch providers if they could.⁵³

We agree with the concerns raised by stakeholders and consider that, contrary to the intended policy objective, the framework is not facilitating the ability to go on market.

We have previously taken action to address retail competition barriers through our guidelines. For example, we removed a technical barrier to going on market, by introducing a condition in the Network Guideline that requires new embedded networks from 2012 to have NMI-compliant child meters. While this barrier has been removed, the lack of available retailer 'energy only' offers means most embedded network customers cannot switch energy providers.

Active Utilities' submission proposed that we should publish a list of retailers offering energy only offers, to assist customers looking to go on-market.⁵⁴ While not a substitute for regulatory obligations, we consider there to be practical value in publishing this list and intend to engage retailers as part of our implementation work following the finalisation of this review.



Lived experience – Inability to choose a retailer

“To be honest I wasn't notified about the electrical provider from strata management or even the builder. We received an email directly from [authorised retailer] about welcome to your new home and energy rates, so it was a little frustrating there was no control on who the electrical provider was – or at least have a collective vote on which provider to choose.”

- Owner, 34, Sydney, customer of an embedded network authorised retailer

Inconsistent consumer protections

Many stakeholders highlighted the lower level of consumer protection that embedded network customers receive and believed that delivering consumers protections equivalent to grid-connected retail customers should be a priority for this review.⁵⁵

Numerous consumer protection gaps and inconsistencies exist between grid-connected retail customers and embedded network customers. While we endeavour to extend comparable consumer protections to exempt customers via our guidelines, this is not always feasible due to the diverse capability of exempt sellers to administer and comply with obligations and the existing legislative gaps. Embedded network customers face further inconsistencies if they are served by an authorised retailer as set out in Table 2.

⁵³ Bastion Insights, *Review of the Exemptions Framework for Embedded Networks Research Report*, May 2024, p. 38.

⁵⁴ Active Utilities p. 9.

⁵⁵ ACTCOSS p. 1, Active Utilities p. 10, AEMO pp. 1–2, Alinta pp. 1–3, Altogether pp. 4–5, COTA pp. 4–6, ECA pp. 3–4; ENM Solutions p. 2; Joint ombudsmen p. 7; EWOSA p. 2; JEC/PIAC p. 2; OCN p. 8; Origin p. 2.

Our view is that all energy customers should receive comparable consumer protections, to the extent possible, regardless of their network or selling arrangements.

Table 2 Differences in retail consumer protections between customer types

Consumer protection	Grid-connected customer	Authorised retailer customer in embedded network	Exempt seller customer in embedded network
Price	Protection via the DMO price (NSW, SE Qld, SA) ACT – govt regulated price cap Regional Qld – govt regulated price	No current protection	Protection under the Retail Guideline Qld – exempt sellers prohibited from profiting under jurisdictional legislation
Obligation to supply under a standing offer	Protection under the Retail Law (designated retailer must make small customers a standing offer)	No protection	Protection under the Retail Guideline
Continuity of supply	Protection under the Retail Law <i>Retailer of Last Resort</i> (RoLR) provisions	No protection	Limited protection under the Retail Guideline
Notification of planned interruptions	Protection under the Retail Rules	Partial protection under the Retail Rules	Protection under the Retail Guideline
Notification of unplanned interruptions	Protection under the Retail Rules	No protection	Protection under the Retail Guideline
Life support equipment	Protection under the Retail Law and Retail Rules	Partial protection under the Retail Rules and Retail Law	Protection under the Retail Guideline
Hardship assistance	Protection under the Retail Rules	Protection under the Retail Rules	Limited protection under the Retail Guideline
Family violence	Protection under the Retail Rules	Protection under the Retail Rules	No protection Future – AER draft family violence provisions under Retail Guideline
Access to rebates and concessions	All jurisdictions offer and administer rebates and concessions to	NSW – eligible for most concessions	Qld – eligible for all concessions, but seller must apply to retailer

Consumer protection	Grid-connected customer	Authorised retailer customer in embedded network	Exempt seller customer in embedded network
	grid-connected retail customers	ACT, SA, Qld – eligible for all concessions	SA, ACT – ineligible for some concessions NSW – ineligible for most concessions unless their seller is a signatory to the voluntary Social Programs for Energy Code
Notification of disconnection	Protection under the Retail Rules	Partial protection under the Retail Rules	Protection under the Retail Guideline
Disconnection prohibitions	Protection under the Retail Rules	Protection under the Retail Rules	Protection under the Retail Guideline
Reliability standards or guaranteed service level payments for outages	Protection under local legislation or codes	No protection	No protection
Dispute resolution	Protection under the Retail Law	Protection under the Retail Law	Protection under the Retail Guideline NSW, Qld, SA – ombudsmen accept exempt sellers as members ACT – exempt sellers not eligible for ombudsman scheme
Billing	Protection under the Retail Rules	Protection under the Retail Rules	Partial protection under the Retail Guideline
Undercharging and overcharging	Protection under the Retail Rules	Protection under the Retail Rules	Protection under the Retail Guideline

Limited compliance framework, transparency and visibility

A key theme from many submissions was the AER’s reduced visibility of the embedded network sector, as well as our limited ability to identify and enforce non-compliance. Many stakeholders supported us addressing these factors as key priorities for the review.

Some of the key concerns raised by stakeholders included:

- *Visibility of networks* – some smaller embedded networks are not required to be registered, and exempt sellers and service providers are deemed to be exempt. We currently have no visibility of these networks and stakeholders have observed we cannot easily contact them to address compliance issues. EWON highlighted that the lack of a formal requirement for exempt entities to keep their registration details current contributes to this issue.⁵⁶
- *Compliance monitoring* – some stakeholders observed that the lack of proactive compliance monitoring by the AER is a factor increasing the risk of consumer harm in embedded networks.⁵⁷ A number supported our issues paper option to introduce compliance reporting obligations similar to those imposed on retailers.⁵⁸ Others suggested that we adopt different approaches to monitoring compliance, such as targeting higher-risk entities (for instance, larger sellers or those that have previously breached guideline obligations), random audits, or surveys.⁵⁹
- *Enforcement powers* – the current framework provides us with limited options to take enforcement action when issues are identified. Consumer protections for embedded network customers straddle the Retail and Electricity Laws and our powers to enforce compliance differ under each instrument. Under the Retail Law, which governs our retail exemptions framework, a breach of a retail exemption condition is a civil penalty provision and may attract civil penalties of up to \$10M for bodies corporate. Under the Electricity Law, there are no civil penalties associated with a breach of a network exemption condition, regardless of the severity of the breach. The only compliance response available to us is to revoke the exemption – a significant intervention that may leave customers without a network service provider, which could in turn jeopardise their continuity of supply. We recognise that a wider range of penalty options and enforcement tools would be preferable, however, any amendments to these would require broader legislative changes and are beyond the scope of this review.
- *Third party providers* – the expanding role of third-party service providers, who often perform energy selling support roles in embedded networks (such as billing and compliance roles), creates a growing compliance risk. As these entities are not registered, we have limited oversight and ability to address compliance issues. However, we cannot address the growing role of third-party service providers under the guidelines alone. This is another systemic framework issue that required the attention of governments.

We agree that reduced visibility and transparency increase the risk of harm for embedded network customers and have proposed a range of Guideline changes to address these issues, which we discuss in section 6.

⁵⁶ EWON, [Spotlight On: Embedded networks - it's time for change](#).

⁵⁷ AEMO pp. 1-2; Altogether p. 15; Energy Locals p. 9; JEC/PIAC p. 10.

⁵⁸ Active p. 28; Altogether pp. 11, 13; the body corporate of 6 Parkland Blvd p. 10; City of Sydney p. 6; COTA p. 5; Department for Energy and Mining SA p. 4; ECA p. 2; Energy Intelligence p. 6; Energy Locals p. 11; ENM Solutions pp. 11-12; EQ p. 4; Joint ombudsmen p. 13; EWOQ p. 8; EWOSA p. 3; JEC/PIAC pp. 15-18; NSW DNSPs pp. 5-6; OCN p. 12; Origin pp. 6-7; SUPA pp. 14-15.

⁵⁹ Alinta pp. 4,6; CPAQ pp. 10-11; City of Sydney p. 6; Department for Energy and Mining SA p. 4; ECA p. 3; ENM Solutions p. 12; EQ p. 4.

We acknowledge stakeholders' suggestions that we undertake targeted or random audits and will further explore these options, as part of any future AER audit program.

Infrastructure contracts

In section 4, we noted the commercial incentives for developers to outsource embedded network ownership or management to commercial third parties. In this arrangement, the infrastructure costs are recovered from future owners and tenants through long-term contracts.

Submissions from strata stakeholders, including owners in strata arrangements, considered this business model to be detrimental to apartment owners and consumers.⁶⁰ They noted that:

- these contracts are negotiated between a developer and a third party to benefit those parties, rather than owners and residents
- residents usually have no visibility of the creation of these contracts (which may be signed before residents form a body corporate) and have no way to know whether the fees and charges represent value for money
- the total costs over the life of a contract would likely over-recover capital costs, and owners would ultimately pay more than if the developer recovered capital costs through unit purchase prices.

Strata stakeholders supported us taking action to address these concerns, such as ceasing to grant residential network exemptions, measures that would enable owners corporations to change network operators, limiting contract length, or requiring meter ownership be transferred to the owners corporation.⁶¹

While we acknowledge these are genuine concerns for apartment owners, these issues are outside the scope of energy regulation to address, and would require changes to strata legislative frameworks, which sit with jurisdictional governments. Addressing contract length, or enabling network operator switching, may be areas that governments could focus on to address underlying risks for embedded network customers.

Other concerns

Consumer stakeholders raised concerns about non-price aspects of embedded network energy service and supply where customers were experiencing harm, set out below.

Billing

While retailers are required to provide clear bills that comply with the AER's *Better Bills Guideline*,⁶² exempt sellers have lesser obligations under the Retail Guideline.⁶³

Some stakeholders provided examples of unclear and inaccurate billing, and highlighted significant challenges in customers being able to check the accuracy of their bills.⁶⁴

⁶⁰ The body corporate of 6 Parkland Blvd pp. 3-4; City of Sydney pp. 2-3; Joint ombudsmen p. 7; Network Energy Services p. 3; OCN pp. 5-7; Sherry, p. 2; The body corporate of 6 Parkland Blvd pp. 3-4; Trans Tasman p. 2.

⁶¹ Network Energy Services p. 3; OCN pp. 6-7; Sherry p. 24; Trans Tasman p. 2.

⁶² AER, [Better bills guideline - Version 2](#), 2 January 2023.

⁶³ Condition 3 of the Retail Guideline sets out the billing obligations for exempt sellers.

⁶⁴ EWOQ pp. 1-2; JEC/PIAC p. 10.

Participants in Bastion Insights' qualitative research also gave first-hand accounts of serious billing problems, such as delayed, incorrect and confusing bills.

Bastion Insights' quantitative research found that billing was the main reason an embedded network customer needed to contact their provider (accounting for around 1 in 3 contacts). However, providing a statistical margin for error, they had similar levels of satisfaction with how their concerns were handled to grid-connected retail customers.

Customer information

Some stakeholders noted that customers may not know they are in an embedded network and may not understand the implications of this arrangement.⁶⁵

Bastion Insights' research suggests there may be systemic issues with customers being informed about embedded networks. This is despite the information provision obligation in the Retail Guideline requiring an exempt seller to provide this information at the start of their tenancy or residency agreement. Many participants in Bastion Insights' qualitative interviews reported that they were not told they would not have a choice of supplier prior to moving in.

We consider jurisdictional governments may be well placed to address the issue of owners not knowing they are purchasing a property within an embedded network through information disclosure provisions under their strata laws. For example, they could introduce obligations requiring owners and tenants to be informed about the existence of an embedded network *prior* to purchase/lease.

⁶⁵ ACTCOSS pp. 3-4; ECA p. 4; Joint ombudsmen pp. 7-8; EWOQ p. 5; EWOSA p. 2; JEC/PIAC p. 10; Tenants Union NSW p. 1.

Lived experience – Customer information



“We did find out [about the embedded network] after trying to shop around for electricity provider of our choice, and was feeling quite shocked about having only one option. I didn’t like the fact that we were ‘locked’ into one company not having the choice felt unfair. At the time of purchase if I had known about an embedded network in the building it would have made me think twice about purchasing. Everyone is entitled to a choice, especially when it comes to shopping around for a better price or service and being locked in and not having a choice left us feeling duped.”

- Owner, 43, Sydney, customer of an exempt seller

Dealing with problems and complaints

Some stakeholders raised concerns that embedded network customers may face greater barriers accessing appropriate complaints handling and dispute resolution processes than grid-connected retail customers.⁶⁶ Additionally, some considered customers would avoid complaining about their energy disputes due to concerns about their housing security.⁶⁷

While Bastion Insights’ quantitative research did not consider this issue in detail, qualitative research participants provided positive and negatives experiences. Respondents who had engaged with their seller early were generally satisfied with how the issue had been addressed. For instance, several had engaged with their seller about late or missed payments, and in most cases were given extensions or payment plans. Some, who made multiple attempts to resolve ongoing issues, were informed about the availability of ombudsman schemes.



Lived experience – Dealing with disputes

“Yes, I had to contact them because my bill was incorrect. One month it would be \$90, second month \$300, then \$2000+ the next. The reading was completely off. I contacted them via phone initially. Poor customer service and rude. So I resorted to emails but it still has not been resolved. [...] My options were to pay it. They can do a monthly pay schedule but essentially, I still need to pay. When I asked them to provide meter readings from their end they dismissed me. No I wasn’t given any electricity Ombudsman.”

- Owner, 35, Sydney, customer of an embedded network authorised retailer

⁶⁶ CPSA p. 4; ECA pp. 3-4; EWOSA p. 2.

⁶⁷ ACTCOSS p. 4; COTA p. 7; JEC/PIAC p. 11.

Access to concessions and rebates

Access to government concessions and rebates is critical for vulnerable customers. Retailers handle the administration associated with government concessions and rebates on behalf of customers and automatically apply these to their bills. Bastion Insights' research findings did not generally support the conclusion that embedded network customers are systematically missing out on eligible rebates and concessions and reported no significant difference in their ability to access concessions compared to grid-connected retail customers.⁶⁸

However, stakeholders have reported barriers to some embedded network customers accessing concessions and rebates. These include administrative challenges, such as having to apply directly to the government.⁶⁹ Jurisdictional requirements can also impact some embedded network customers' eligibility for some rebates, which results in reduced financial assistance.

The ACCC noted that differences in jurisdictional rebate schemes are creating barriers for embedded network customers to access benefits. This is potentially reducing the effectiveness of these policies in mitigating rising cost of living pressures stemming from elevated electricity prices.⁷⁰

While we agree that fair access to rebates and concessions is essential, we note concession eligibility sits outside our regulatory remit. Any concessions and rebate eligibility gaps for embedded network customers would need to be addressed by jurisdictional governments.

⁶⁸ Bastion Insights, *Review of the Exemptions Framework for Embedded Networks Research Report*, May 2024, p. 21.

⁶⁹ ACCC, *Inquiry into the National Electricity Market, June 2024*, Australian Competition and Consumer Commission, p. 81.

⁷⁰ ACCC, *Inquiry into the National Electricity Market, June 2024*, Australian Competition and Consumer Commission, pp. 77-82.

6 The way forward for embedded network regulation

We commenced this review with objectives of better understanding the harms, benefits and risks of embedded networks, to determine whether action is needed to redress any imbalance in harms and benefits within the scope of our guidelines. This included considering whether we should restrict the growth of future residential embedded networks, strengthen protections for existing embedded network customers, and improve overall transparency.

Our review has found that consumer outcomes in embedded networks are not straightforward. There are underlying systemic risks for embedded network customers, which combined with the growth in large residential embedded networks, has the potential to cause consumer harm. However, some embedded networks customers receive better price outcomes than grid-connected retail customers. Embedded networks also have the potential to help facilitate the installation of energy efficient technology at the building level, as well as benefit the national grid.

Our review has found the systemic risks embedded network customers face would be largely addressed if the consumer protections afforded to them are equivalent to those afforded to grid-connected retail customers. This was also the view of most stakeholders who, in responding to our questions about priorities, and providing feedback on our options, emphasised that addressing the inequities in the embedded network consumer protection framework should be our key focus for this review. Additionally, our assessment identified that many of the harms and risks faced by embedded network customers relate to consumer protection gaps on the retail side, rather than arising from the configuration of an embedded network itself.

As set out in our issues paper, the Network Guideline provides us with the discretion to effectively stop new embedded networks being created. We could do this by, for example, closing the network exemption class relevant to residential networks above a certain size.

We have carefully considered the pros and cons of this course of action as a means of addressing the risks identified on the retail side of embedded network arrangements. Overall, we consider stopping the creation of embedded networks could result in a range of negative consequences for embedded network customers and businesses. We were particularly concerned about the risks to customers if the changes resulted in embedded network businesses failing, given that the absence of a Retail of Last Resort protection exposes customers to high risks of losing supply.

Overall, while there is evidence of consumer harms, the evidence available does not suggest that they are sufficiently severe or systemic to warrant this level of intervention, and the risks of unintended consequences, at this time and foreclose the benefits to embedded network customers we have identified.

Holistic change is needed for equal protections

Our preferred way forward has two elements:

- changes to the AER guidelines to make incremental improvements
- a holistic reconsideration of the framework by jurisdictional governments to ensure consumers receive the same level of protection regardless of their supply arrangements.

Below, we highlight the guideline changes, as well as the key issues outside our regulatory remit that we consider need to be addressed to align consumer protections between embedded network and grid-connected retail customers.

Proposed guideline changes

In the absence of broader reforms to the embedded networks regulatory framework, our exemptions framework remains the key regulatory tool available to us to improve consumer protections for embedded network customers.

Through this review we have identified a range of changes we can make to the guidelines to improve the level of protection for customers and to increase our visibility and compliance oversight over exempt entities. These changes are summarised below and discussed in more detail in Part B.

We consider these changes can effectively address some consumer protection gaps, preserve potential benefits, and are the most administratively feasible and practical to implement.

Increasing visibility and transparency

The importance of improving our compliance oversight of exempt entities was a key theme raised by many stakeholders. We have proposed several changes to increase visibility over the sector, including:

- closing the deemed network exemption classes for future residential and small business embedded networks
- introducing basic notification obligations that require exempt sellers to update their customer numbers and authorised representative's contact details
- requiring sellers to publish prices on their websites (or place of operation, where no website is available).

Improving consumer protections

The Retail Guideline sets out the consumer protection obligations for exempt sellers. In 2022, we published version 6 of the Retail Guideline, which addressed many of the consumer protection gaps that could be practically achieved. This included adding a requirement for exempt sellers to develop, implement and maintain a hardship policy and improved information provision requirements.⁷¹

⁷¹ AER, *Retail Exempt Selling Guideline (version 6), Notice of Final Instrument*, Australian Energy Regulator, 2022.

As part of this review, we are proposing to further amend the Retail Guideline, to introduce practical family violence protections for exempt customers.

We are also proposing to maintain amendments from the draft Network Guideline (published in 2022) to address some important consumer protection gaps, including:

- new protections for ‘energy only’ embedded network customers (served by authorised retailers) experiencing payment difficulties – the embedded network service provider will be required to offer a payment plan and follow disconnection processes for the supply component of the bill. This will help ensure embedded network customers are less likely to be disconnected due to non-payment, and
- continuity of supply – embedded network service providers will have to notify customers and AER if they are at risk of failure or disconnection, and to advise of the actions they are taking to protect customers.

Issues outside our regulatory remit

Continuity of supply for embedded network customers

Grid-connected retail customers receive guaranteed continuity of energy supply in the event their seller fails, under the Retail Law’s Retailer of Last Resort provisions, whereby a nominated retailer can be directed to take on board a failed retailers’ customers.⁷² There is no equivalent protection for embedded network customers. This is because an embedded network has no default or designated retailer assigned to their connection point if the exempt seller fails.

We have considered what action we could take through the guidelines and have introduced provisions in the Network Guideline that would require embedded network service providers to notify customers and AER if they are at risk of failure or disconnection, and to advise of the actions they are taking to protect customers. While an important protection, it does not provide customers with the protection of a default retailer to continue supply.

Establishment of an embedded network Retailer of Last Resort scheme would require Retail Law reform.

Price protection

As discussed, embedded network customers of authorised retailers do not currently receive price protection, due to the Australian Government’s DMO regulations specifically excluding this cohort.

Extending the DMO protections to embedded network customers would align pricing protections for grid-connected and embedded network customers. It would also afford similar pricing protections for both embedded network customers supplied by authorised retailers and exempt sellers.

Retail Law ‘gaps’ for authorised retailer customers

In addition to price protection, Table 1 in section 5 above highlights that a number of fundamental Retail Law consumer protection safeguards do not apply to customers of authorised retailers. These include no obligation for a retailer to supply a customer, and no

⁷² Part 6 of the Retail Law – Retailer of Last Resort Scheme.

obligations to notify affected parties of a customer’s life support status, or of outages. The AER is unable to impose such an obligation on a retailer by way of guideline conditions. Changes to the Retail Law would be needed to address these gaps and align the protections of grid-connected retail and exempt embedded network customers.

Access to retail competition

Barriers to accessing retail competition include appropriate metering technology; cost; complexity of the process; and lack of retailers offering ‘energy only’ offers.

We have previously taken action to address the metering technology barriers through our Network Guideline by requiring new networks to have appropriate meters. However, the lack of available retailer ‘energy only’ offers remains a key barrier. Addressing this would require creating a new obligation for retailers to have such an offer.

We will further consider Active Utilities’ proposal that we publish a list of retailers offering ‘energy only’ offers, to assist customers looking to go on-market. While not a substitute for regulatory obligations, we consider there would be practical value in publishing this list and intend to engage retailers as part of our implementation work following closure of this review.

Compliance and enforcement powers


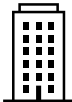


Changes would be needed to the National Electricity Law to provide civil penalties for breaches of a network exemptions, while Retail Law changes would be required to introduce a wider range of penalty options for breaches of the Retail Guideline.

There are many parallels between our findings and the conclusions reached by the Australian Energy Market Commission (AEMC) in its 2017–19 *Review of the embedded networks regulatory frameworks*.⁷³ While we do not recommend any specific regulatory solutions to address the gaps and barriers above, we consider the AEMC’s comprehensive identification of issues and approach to holistic reform may be a useful starting point for further consideration.

Table 3 shows the major consumer protection gaps and the legislative and regulatory instruments that would need to be changed.

⁷³ AEMC, [Review of regulatory arrangements for embedded networks](#), Final Report, November 2017.

Table 3 – Key consumer protections gaps and instruments requiring change

	Consumer protection gap	Change needed
All embedded network customers 	No Retailer of Last Resort protections for embedded network customers	Requires Retail Law amendment to extend arrangements to embedded network customers
	Embedded network customers ineligible for some concessions and benefits, and/or face administrative barriers	Requires state and territory law and regulation amendments
	No obligation for retailers to offer 'energy only' offers	Requires Retail Law amendment to create an obligation
Retailer embedded network customers 	No price cap protections	Requires amendment to state-based frameworks for retail pricing and the Australian Government's DMO regulations
	No obligation for a retailer to supply electricity	Requires Retail Law amendment
	No obligation for a retailer to notify embedded network operator that a customer has registered as having life support equipment	Requires Retail Law and Retail Rules amendment
Exempt customers 	Limited or no obligations for a retailer to notify customers or embedded network operators of planned and unplanned interruptions to their supply	Requires Retail Law and Retail Rules amendment
	No obligations for exempt sellers to provide support to customers experiencing family violence	Requires AER Retail Guideline amendment (proposed)
	AER not able to tailor penalties for smaller sellers	Requires National Electricity Law and Retail Law amendment
	AER has limited compliance oversight because many small 'deemed' embedded networks are not registered	Requires AER Network and Retail Guideline amendments (proposed)
	No obligation for exempt sellers to keep contact details and customer numbers up to date	Requires AER Network and Retail Guideline amendments (proposed)
	Limited transparency of how customer prices compare to market rates	Requires AER Retail Guideline amendment (proposed)

Our consideration of other regulatory options (including curtailment)

While we consider that legislative reform is required to address the systemic risks of consumer harm, we have reached the view that a more rigorous exemption application process or the curtailment of future embedded networks is not warranted.

To reach this view, we considered a range of regulatory options set out below by assessing them against the following criteria set out in the issues paper using the information we have collected over the course of this review:

- benefits to consumers
- harms to consumers (and risk of harms)
- costs for exempt entities
- administrative cost for the AER
- our ability to monitor and enforce compliance.

While many of the regulatory options we considered performed well against some criteria, we found that they all had significant drawbacks. We discuss our consideration of these below.

Assessing the benefits of new embedded networks

Our issues paper put forward 2 options we considered may provide greater assurance that future embedded networks would provide benefits to consumers and limit harms:

- **Network registrant self-assessment** (Option 2 in the issues paper) – We would retain the current, largely automated, registered exemption framework approach (where parties register through our website), while placing firmer obligations on embedded network service providers to self-assess and confirm that their networks are beneficial to customers.
- **AER assessment prior to accepting a registration** (Option 3 in the issues paper) – We would assess every NR2 exemption via an application process as opposed to the current ‘automatic’ registration process. In contrast to self-assessment, we would apply our judgement to technical and subjective elements of proposed embedded networks, weigh up the costs and benefits, and consider the technical and financial capacity of applicants, before granting an exemption.

Overall, we considered that neither of these options would be practical or effective in addressing issues for embedded network customers.

Network registrant self-assessment

The requirement to demonstrate some benefits up front may reduce the number of non-beneficial networks being registered.

There was qualified stakeholder support for this option. Some observed it would set a practical minimum standard to ensure that embedded networks were more beneficial to customers, while retaining the efficiency benefits of a largely automated registration

approach.⁷⁴ However, in considering the practicality of implementing this option, our overall assessment concluded it would be unfeasible for the AER to ensure any statement was accurate at the point of registration, or that benefits were being realised on an ongoing basis. As a result, it is likely that this option would fall short of achieving its intended aim to guarantee customer benefits.

AER assessment prior to accepting a registration

While there was some support for AER assessment (Option 3),⁷⁵ many stakeholders were concerned this process could result in exemption registration backlogs and delays, and risk creating further discrepancies between embedded network and grid-connected retail customer protections.⁷⁶ We have considered the level of AER resources that would be required to manage this process to ensure the timely registration of exemptions. We have concluded that such an application process would require significant AER resources to administer, well above our current levels and unattainable at this time.

Restricting new residential embedded networks

We also explored 2 options to restrict the development of new embedded networks:

- **Ceasing to permit NR2 network exemptions** (Option 4 in the issues paper)⁷⁷ – in effect this would prevent new residential networks being created. Future apartment residents would receive the full competition and consumer benefits available to grid-connected retail customers.
- **Ceasing to permit R2 retail exemptions** (not considered in the issues paper) – in effect this would curtail exempt selling in an embedded network and require all energy selling to be performed by authorised retailers only. While we did not canvas this option in the issues paper, we explored this option as many of the harms and risks raised in submissions related to exempt selling (rather than the existence of embedded networks).

Ceasing to permit NR2 network exemptions

An option available to us via our Network Guideline is to close the NR2 registrable network exemption class, effectively curtailing the growth of residential embedded networks. This option would be straightforward for us to implement and would likely have the biggest impact in tackling the consumer protection risks that embedded network customers face.

The stakeholders who supported this option considered it was the only way to prevent the expansion of monopoly electricity supply arrangements and ensure that future customers received the full benefits of the Retail Law, while providing appropriate AER compliance oversight.⁷⁸

However, our view is that this option would involve significant challenges and risks of unintended consequences. We observe that the consumer harm risks we have identified

⁷⁴ Active Utilities pp. 26-27; CCIA p. 14; City of Sydney p. 5; Department for Energy and Mining SA p. 3; Energy Locals p. 10.

⁷⁵ ACTCOSS p. 4; the body corporate 6 Parkland Blvd p. 9; Department for Energy and Mining SA p. 4; ECA p. 3; Network Energy Services p. 2; OCN p. 12.

⁷⁶ Active Utilities p. 27; CCIA p. 15; ENM Solutions p. 9; Energy Locals p. 10; EWOQ p. 7; EWOSA p. 2; Origin p. 6; SUPA Energy p. 13.

⁷⁷ By closing the NR2 network exemption category.

⁷⁸ ACTCOSS p. 4; AEMC p. 2; JEC/PIAC p. 14; NSW DNSPs p. 5; Sherry p. 6; Tenants Union NSW p. 2.

relate more to the customer-energy seller relationship, rather than the existence of the embedded networks themselves. As such, we consider that banning future embedded networks would be a blunt policy response that, even if implemented, would not address the consumer protection gaps for existing networks.

Further, as set out in section 4, we have found that embedded networks provide price and other benefits for many embedded network customers. Additionally, they have the potential to provide benefits to the grid and broader community in a future energy grid. Denying future NR2 exemptions would foreclose the potential for these benefits to be realised.

While we recognise the risk of consumer harm exists, given the issues we have highlighted above, our findings do not indicate that embedded network customers are experiencing significantly worse outcomes than grid-connected retail customers in relation to their electricity supply. While we recognise that our dataset may not be extensive, we have not found information that points to significant harms being incurred by embedded networks customers, or a portion of embedded network customers, at present, that would warrant ceasing to permit NR2 network exemptions.

Ceasing to permit R2 retail exemptions

We considered that closing the R2 class might improve outcomes for embedded network customers, while avoiding some of the risks and limitations of ceasing NR2 exemptions. Firstly, we would have assurance that future embedded network customers are being served by sophisticated market participants with financial resources, systems, policies, and processes to manage their ongoing compliance obligations. Customers would be subject to better billing and could access a retailer's formal hardship and family violence support. Secondly, our ability to monitor the sector's performance and compliance would be improved, as retailers are legally required to report quarterly on key performance measures,⁷⁹ and must report breaches of their compliance obligations.⁸⁰

Retailers we engaged with on this issue were broadly supportive of the approach, noting it would be an extension of their current business practices. However, we observed this approach presented its own challenges.

In particular, the legislative framework supporting retailer embedded network customers is deficient in some respects, meaning these customers lack some important consumer protections that are extended to exempt customers via the Retail Guideline. For example, retailer embedded network customers currently receive no price protections⁸¹ and have no, or reduced, protections in relation to notification of planned disconnections, obligation to supply, and life support equipment.

While we recognise that authorised retailers are committed to extending consumer protections (available to grid-connected customers) to their embedded network customers, we are conscious that we have no regulatory powers to compel them to do so. We therefore consider it would not be in the interests of consumers to implement this option without first

⁷⁹ Under the AER's *Retail Performance Reporting Guideline*, retailers must report to the AER on metrics including number of customers experiencing payment difficulty, customer debt, and disconnections

⁸⁰ Under the AER's *Compliance Procedures and guidelines* retailers must report to the AER any breaches of specified compliance obligations, including related to de-energisation and life support obligations

⁸¹ As discussed in chapter 6, DCCEEW is consulting on whether to extend the DMO price cap to embedded network customers.

addressing the relevant consumer protection gaps in the Retail Law and Rules. Should future legislative and regulatory reform address these risks, it may enable us to re-assess the merits of this option.

PART B – Changes to the Draft Guidelines

7 Retail Guideline changes

Family violence protections

Issues paper discussion

In 2023, the Retail Rules were amended to introduce protections for customers of authorised retailers who are affected by family violence. We asked stakeholders for views on whether a family violence condition could, and should, be imposed on exempt sellers.

Stakeholder feedback

Stakeholders strongly supported the introduction of a family violence condition. Many observed it was a key area of divergence between exempt customers and customers of authorised retailers.⁸²

Several stakeholders observed challenges with imposing a family violence condition. For example, where the exempt seller lives or works near the affected exempt customer, or where exempt sellers lacks the administrative resources to effectively manage a compliance obligation of this nature.⁸³ Tenants Union NSW highlighted the proximity of exempt sellers to their customers and perpetrators may inhibit victim survivors accessing support.⁸⁴ Caravan park representatives raised concerns that poorly designed obligations could jeopardise their employee's safety.⁸⁵

Stakeholders suggested alternative strategies to mitigate some of these challenges. These ranged from implementing 'best practice' or guidance-based approaches,⁸⁶ to developing tiered obligations based on the different selling scenarios.⁸⁷ Some stakeholders suggested we develop a family violence policy template for exempt sellers, similar to the template we developed for exempt seller hardship policies.⁸⁸

⁸² Active p. 28; Alinta p. 7; Altogether p. 14; City of Sydney p. 6; COTA p. 6; CPAQ pp. 11-12; CCIA pp. 18-20; ENM Solutions p. 13; Energy Intelligence p. 6; Joint ombudsmen p. 13-14; EWOSA p. 3; EWOQ p. 9; NSW DNSPs p. 6; Origin p. 7; JEC/PIAC p. 23; SUPA p. 15; Tenants Union NSW p. 2.

⁸³ Altogether p. 14; Austin Tourist Park p. 5; CCIA p. 19; CPAQ p. 12; ENM Solutions pp. 12-13; Joint ombudsmen p. 13-14; EWOSA p. 3; Network Energy Services p. 5; JEC/PIAC pp. 23-24; Tenants Union NSW p. 3.

⁸⁴ Tenants Union NSW pp. 2-3.

⁸⁵ CCIA p. 18; CPAQ p. 12.

⁸⁶ Austin Tourist Park p. 5; Department for Energy and Mining SA p. 5; Network Energy Services p. 5.

⁸⁷ Altogether p. 11; CCIA pp. 19-20; CPAQ p. 12; Energy Intelligence p. 7; ENM Solutions p. 14; Network Energy Services p. 5.

⁸⁸ CPAQ p. 12; ENM Solutions p. 13; Joint ombudsmen p. 14.

While some stakeholders supported family violence training and education for exempt sellers, they raised concerns around the time and resourcing required to achieve this.⁸⁹ Some stakeholders proposed options that could support exempt sellers in this regard. For example, the AER could develop online training, subsidise exempt sellers to undertake training, or work with industry associations to develop training resources tailored for different groups.⁹⁰

AER draft position

We have considered stakeholder support for extending family violence protections to exempt customers and propose to attach family violence conditions to the residential, and small business exemption classes. As anticipated, the development of a family violence condition has proved challenging. Particularly given that we must determine that any condition we place on exempt sellers is reasonable and compliance is feasible. We also need to consider our ability to engage and educate thousands of exempt sellers and enforce compliance, where applicable.

In developing our family violence condition, we have attempted to strike the balance between affording equitable energy consumer protections and acknowledging that energy on-selling is incidental to most exempt sellers' core business.

Our draft position is informed by specialist consultants [Safe and Equal](#), who made recommendations to the AER on the approach to introducing a family violence condition. Safe and Equal's recommendations focussed on what we should do to support exempt sellers. This includes developing/providing tailored training; introducing family violence reporting obligations; implementing a dedicated hotline (for exempt sellers and victim survivors); and developing a family violence policy template for exempt sellers. While we recognise that these recommendations are appropriate long-term goals, we consider some of the recommendations may be too onerous or costly to implement as part of this Retail Guideline review. This is mainly due to the AER's practical limitations, the administrative burden smaller exempt sellers could face and the potential risks to victim survivors' safety, due to the unique exempt seller-customer relationship.

We have set out the family violence obligations that apply to authorised retailers, our consideration of which obligations could be extended to exempt sellers and how we propose to achieve this in Appendix B.

Family violence policy

Under the proposed family violence condition (Condition 27), most exempt sellers will be required to develop, implement, maintain and comply with a family violence policy.

We recognise that exempt sellers may not have the sophistication or administrative resources required to develop their own customer family violence policy. To assist with reducing this potential administrative burden, we have prepared an *Exempt seller family violence policy template* (family violence policy template). An exempt seller's family violence policy will need to include the standardised statements provided in the family violence policy

⁸⁹ Altogether p. 14; Austin Tourist Park p. 5; CCIA p. 18-20; CPAQ p. 12; ENM Solutions p.12-13; Joint ombudsmen p. 14; EWOSA p. 3; JEC/PIAC pp. 19-20; Network Energy Services p. 5.

⁹⁰ CPAQ p. 12; Energy Intelligence p. 7; ENM Solutions p. 14; EWOQ p. 9; EWOSA p. 3; Network Energy Services p. 5; JEC/PIAC p. 24.

template. This is comparable to the approach we took when introducing the hardship policy condition (Condition 26) in 2022.

Our proposed family violence policy template serves as a guide to exempt sellers in developing a family violence policy, which establishes how they will engage with an exempt customer who is affected by family violence. The standardised statements in the template provide exempt customers with information that is presented in clear and simple language. The support is mainly in the form of the provision of information that may assist an exempt customer affected by family violence. This is in addition to the existing assistance requirements under version 6 of the Retail Guideline (such as the offer of hardship assistance, where relevant).

We will provide existing and future exempt sellers a website link to our family violence policy template (which we will publish on our website). However, the support that exempt sellers can offer is not restricted to the options set out in the family violence policy template. An exempt seller may extend their options for support beyond the requirements captured by our family policy template, and we encourage them to do so.

We recognise that existing exempt sellers will need time to develop and implement a family violence policy and inform their customers of the new protections. To support this, we will provide existing exempt sellers a transitional period of 6 months, from the date the new condition comes into effect, to ensure necessary arrangements are made for compliance under this new condition. This transitional period differs to the obligation imposed on new exempt sellers to implement their family violence policies within 3 months from the date of exemption registration or approval.

While we acknowledge that training modules would be ideal, we are unable to deliver this option as part of this review due to the time and costs involved to develop fit-for-purpose products. However, we are open to developing bespoke training in the future if supported by our stakeholders. We do intend to publish family violence resources (alongside our final Retail Guideline) offering practical insights as to how exempt sellers can respond to customers affected by family violence. These resources will support exempt sellers to understand the impacts of family violence and how it can intersect with energy services. We intend to develop these resources in collaboration with expert consultants and will promote them through the relevant industry peak bodies.

An exempt seller will be responsible for ensuring their family violence policy meets the minimum requirements set out in the Retail Guideline. Failure to develop, implement and maintain a family violence policy, or comply with the overall requirements of the family violence condition could result in significant penalties (up to \$10M).

We have published a copy of our draft family violence policy template for public consultation alongside the draft Retail Guideline. We encourage interested parties to provide their feedback during the open consultation process.

Increasing exempt seller visibility

Issues paper discussion

Currently we capture embedded network data at the time of registration. Information includes (but is not limited to) the name of the energy on-seller, the site address and customer numbers. We use this data to routinely monitor embedded network growth. However, this

information is usually requested from exempt sellers only once, at the point of registration, and can become outdated if a new authorised representative is engaged or embedded networks are expanded. This impacts our ability to effectively monitor embedded networks over the long term. We have experienced instances where we cannot contact an exempt seller because we have not been provided updated contact details. This is particularly relevant where we vary the Retail Guideline and want to inform existing exempt sellers of new or revised compliance obligations or run compliance education campaigns.

Further, our issues paper highlighted that, in contrast to authorised retailers, exempt sellers are not required to report periodic information on their performance and compliance. As there is currently no requirement for exempt sellers to report compliance breaches, we have reduced visibility of potential trends in non-compliance. We invited submissions on the cost and benefits of requiring exempt sellers to report performance data and what indicators should be included in a reporting requirement.

We also tested stakeholders' appetite for requiring all residential embedded networks to be registered on our public register. Currently, exempt sellers who on-sell to fewer than 10 embedded network customers (residential or small business) are not required to register an exemption as they are deemed to be exempt. This means we have no visibility of these embedded networks, other than via complaints referrals from energy and water ombudsman schemes.

Stakeholder feedback

Stakeholders have consistently called for improved visibility of embedded networks. Most stakeholders responded to our issues paper supporting compliance and performance reporting for exempt sellers. However, their feedback and support for this approach varied.

Most stakeholders noted the potential for benefits, including improved compliance with the exemption conditions, reduced consumer harms and consistency of consumer protections. Several stakeholders suggested that all compliance breaches should be reported, in line with authorised retailers' obligations.⁹¹ Other stakeholders suggested that serious breaches should be reported.⁹²

Some stakeholders supported the introduction of performance reporting obligations for exempt sellers and indicated they should align with those for authorised retailers.⁹³ Other stakeholders proposed that performance indicators should focus on the prices charged by exempt sellers.⁹⁴ This latter feedback is further supported by the recommendation presented in the ACCC's *Inquiry into the National Electricity Market report – June 2024*, that embedded network energy prices should be published, for the benefit of governments and embedded network customers.

⁹¹ Active p. 28; Alinta p. 6; Altogether p. 13; the body corporate of 6 Parkland Blvd p. 10; Energy Locals p. 11; Energy Qld p. 4; JEC/PIAC pp. 15-16; Origin p. 6; SUPA p. 14.

⁹² ENM Solutions p. 11; SUPA p. 14.

⁹³ Active Utilities p. 28; Alinta Energy pp. 6-7; Altogether Group p. 11; Origin pp. 6-7.

⁹⁴ The body corporate of 6 Parkland Blvd p. 9; CPAQ p. 11; Department for Energy and Mining SA p. 4; ENM Solutions pp. 8, 11; EQ p. 4; Joint ombudsmen pp. 7-9; EWOQ p. 8; EWOSA p. 3; JEC/PIAC p. 17; Network Energy Services pp. 2-3; OCN p. 12.

Stakeholders observed the likelihood of increased administrative burden for exempt sellers if compliance and performance reporting conditions are introduced. Some stakeholders suggested that performance reporting should fall to exempt embedded network service providers (via the Network Guideline) instead of exempt sellers (via the Retail Guideline). This was on the basis that exempt network service providers are best placed to comply, given their sole business is usually supplying energy.⁹⁵ Other stakeholders did not have a preference, considering that either party would be able to report.⁹⁶ Some retailers considered that reporting obligations should only be placed on exempt sellers to reflect the obligations for retailers, and to avoid duplication.⁹⁷

AER draft position

While we propose to maintain the current approach of permitting exempt selling in residential embedded networks, we consider there is merit in improving our visibility of embedded networks. This option would provide a critical step-change in our visibility of the sector. We proposed to improve our visibility of embedded networks through the key changes we discuss below.

New notification requirement

To further support improved visibility, we have attached a new condition to most registrable retail exemption classes. This condition requires exempt sellers to notify, within 20 business days, any revised contact details for the exempt seller's authorised representative, including their name, email address and telephone number. Requiring updated contact details for embedded networks ensures we can run effective education campaigns, notify exempt sellers when we vary their exemptions, and address emerging compliance concerns directly with exempt sellers.

While we explored the option of requiring exempt sellers to report customer numbers on an annual basis, we agree with our stakeholders that this obligation is best implemented through the Network Guideline. Given our goal to improve overall embedded network visibility, extending this requirement to exempt embedded network service providers will ensure we capture additional customer data in Victoria and Tasmania too.⁹⁸ We discuss the reporting requirement in more detail in section 8 *Network Guideline changes*.

Compliance reporting

We explored the option of introducing a compliance reporting requirement. However, we concluded that small-scale exempt sellers would likely not have adequate systems and processes in place to administer this requirement and may not report breaches for fear of reprisal. Further, the AER would require significantly more resources to enforce a breach reporting requirement. Given the absence of definitive data supporting systemic embedded network customer harms, we consider that a breach reporting requirement is not feasible at this time. We currently work closely with ombudsman schemes to identify themes of exempt seller non-compliance and consider this approach continues to be the most practical method

⁹⁵ CCIA p. 17; CPAQ p. 11; Energy Intelligence p. 6; EQ p. 4; Joint ombudsmen p. 13; EWOSA p. 3; SUPA p. 15.

⁹⁶ The body corporate of 6 Parkland Blvd p. 11; ENM Solutions p. 13; Network Energy Services pp. 2-3.

⁹⁷ Altogether pp. 11, 14; Origin p. 7.

⁹⁸ On-selling in Victoria and Tasmania falls outside of the AER's regulatory remit. However, energy supply within these states is within the AER's remit.

to obtain this data. However, we are open to reconsidering our position in future Guideline reviews if required.

Pricing visibility

Embedded network plans are not generally available on Energy Made Easy (EME). Exempt customers cannot easily determine if they are receiving favourable energy prices as they have no visibility of alternative offers. We propose to introduce a new pricing condition, requiring exempt sellers to publish their residential and small business customer tariffs on their website (or displayed in a communal area if they do not have a website), including the percentage off the local area retailer's standing offer. This condition would apply to existing deemed, and existing and future registered exempt sellers, who on-sell to any residential and small business customers.

We consider this requirement would be valuable to exempt customers, enabling them to compare their prices with others available in the market (on EME or retailers' websites), which may help them make an informed decision about the costs and benefits of going on-market. It also requires bodies corporate (who are often exempt sellers) to actively compare their prices to the local area retailer's standing offer prices, to ensure their compliance with Condition 7 (pricing) of the Retail Guideline.

This information would also improve the AER's ability to monitor the behaviour of sellers, as it would ensure sellers could provide us with this information upon request.

While there would be some increase in administration for existing sellers above their current levels, we consider this should not be onerous for small sellers to manage.

While we will not require the pricing information be reported to the AER, as this would be unwieldy to administer given the high number of embedded networks, we propose to work closely with ombudsman schemes to identify instances of non-compliance with this requirement.

Increasing transparency by closing the D1 and D2 class

To date, we have considered that exempt sellers operating under deemed exemption classes required minimal regulatory oversight and sought to limit their regulatory burden and our administrative costs. However, given the growth in embedded network over recent years, we now consider there is merit in gaining increased visibility of these sites.

We propose to close the D1 (small business) and D2 (residential) deemed retail exemption class for *future* residential embedded networks from an effective date. We propose to vary the current R1 and R2 registrable retail exemption classes to capture new small business and residential embedded networks (regardless of size) and these will be published on our public exemptions register. Newly captured exempt sellers will submit information to the AER via our online exemptions registration portal. We consider this option is unlikely to place administrative burden on exempt sellers (or the AER) as the process is self-administered through the portal and straightforward.

Existing deemed exempt sellers will retain their deemed status and will not be required to register unless their customer numbers increase. We consider this is a pragmatic approach given the current unknown number of existing deemed embedded networks.

Additional amendments

We propose several amendments to the Retail Guideline to clarify some ambiguities and streamline content as set out below.

Glossary

We have introduced a new term, ‘affected exempt customer’, to define any customer of the exempt seller, who is a small customer and who may be affected by family violence. We have also included ‘family violence’, which has the meaning specified under Part 1, Division 1 of the Retail Rules.

Deemed retail exemption class D3

We have provided guidance that we consider ‘short-term’ accommodation to mean 3 months or less. This is relevant to the deemed exemption class D3 which applies to Persons selling metered energy to occupants of accommodation on a short-term basis.

Network conversions (retrofitting)

We have clarified that in all cases, AER approval is required before converting a site to an embedded network. We have also increased the number of years that evidence of customers’ explicit informed consent must be retained, from 2 to 7 years. This brings the required timeframe in line with the requirements of the draft Network Guideline.

Change of site ownership

We have clarified that when a change of site ownership takes place, the new owner should notify us, via the registrable exemptions portal, *before* the change of ownership takes effects.

The use of agents or third-party service providers

We have reaffirmed that third-party service providers (engaged by an exempt seller) should adhere to the relevant compliance obligations attached to an exempt seller’s exemption (for example, a billing agent should comply with the billing, and pricing conditions). We have also noted that exempt sellers are responsible for ensuring these service providers understand, and comply with, the compliance obligations attached to their exemption.

National Energy Retail Objective (NERO)

We have updated the description of the NERO to include the emissions reduction component that was added on 21 September 2023.

We note the emissions reduction objective was added to the existing economic efficiency framework in all three energy objectives: National Electricity Objective (NEO), National Gas Objective and NERO.

Registrable retail exemption class R6

We propose to reopen registrable exemption class R6 relating to the sale of metered energy to small commercial/retail customers at a site or premises adjacent to a site that the seller owns, occupies or controls. This class was previously closed from 1 January 2015, with sellers required to apply to the AER for an individual exemption. We have recently become aware of a small number of these arrangements which are mutually convenient and agreed upon by both the seller and the customer. Application for an individual exemption in these

cases is burdensome for sellers, which could result in additional costs for the customer. We consider a registrable class is adequate for these mutually agreed arrangements.

Core condition variations

In addition to the exemption condition variations set out in this Notice, we propose to vary additional conditions. These amendments are refinements of existing conditions to introduce improved support for exempt customers, and are set out in Table 4.

Table 4 – Retail Guideline core condition variations

Condition	Variation
Condition 2 – Information provision	We have specified that an exempt seller must advise exempt customers, in writing, at the start of their tenancy/residency/agreement of the forms of assistance available if the exempt customer is experiencing family violence, as well as the process the exempt customer should follow to seek these forms of assistance. The exempt seller must also provide an exempt customer (residential or commercial/retail) a hardcopy or electronic link to its family violence policy established in accordance with Condition 27.
Condition 7 – Pricing	<ul style="list-style-type: none"> <li data-bbox="504 958 1388 1171">– We have revised the timeframe in which an exempt seller must provide notice to an exempt customer relating to any change in tariff. The revised sub-condition 7(2) states that an exempt seller must provide notice to the exempt customer of any change in the exempt customer tariff at least 5 business days before the variation takes effect. This brings this obligation in line with rule 46 of the Retail Rules, which is applicable to authorised retailers. <li data-bbox="504 1205 1388 1361">– An exempt seller must not impose any charge on an exempt customer that is not charged by the relevant local area retailer for new connections under a standard retail contract. We have clarified that credit card payment fees are considered a ‘charge’ for the purposes of sub-condition 7(3). <li data-bbox="504 1395 1388 1507">– New sub-condition 7(4) sets out that an exempt seller must publish the exempt customer tariffs and charges on its website, or in the absence of a website, display this information in a location accessible to exempt customers (for example, the exempt seller’s office).
Condition 9 – Payment difficulties and disconnection or de-energisation	We have revised sub-condition 9(1)(e) to require an exempt seller to offer its family violence policy (alongside its hardship policy) to any exempt customer experiencing payment difficulties.
Condition 13 – Concessions and rebates	Where an exempt customer is eligible to receive a government or non-government energy rebate, concession or assistance under a relief scheme, the exempt seller must not hinder an exempt customer’s attempts to establish eligibility. We have extended this condition to include small business customers.

8 Network Guideline changes

In October 2022, we published a draft Network Guideline (version 7) and Notice of Draft Instrument for consultation, which introduced improvements to clarify and streamline the guideline.⁹⁹ We received 15 submissions, which are summarised in Appendix A.

While the draft Network Guideline was not finalised due to the commencement of our review, we propose to retain these changes, with minor updates to improve clarity. Our reasoning for the changes is set out in the original draft Notice, which includes:

- introducing a voluntary primary registrant model (Section 5.1)
- new protections for ‘energy only’ customers experiencing payment difficulties (Conditions 1.14 to 1.16)
- a new requirement to take steps to ensure customers continue to have access to energy where a seller is no longer able to supply energy (Condition 1.17).

We consider these changes will provide practical benefits through improved customer protections, while ensuring on exempt embedded network service providers’ administrative burden and costs are minimised.

Further, to ensure consistency across the Guidelines, we have revised some content to better align with that of the Retail Guideline. This includes providing clearer information where an exempt network service provider has revised its supply activities.

Increasing visibility by closing the ND1 and ND2 classes

We are of the view that some deemed exemption classes should be closed, and new embedded networks be registered on our public register of exemptions. This approach would increase our visibility of these arrangements. We consulted on this option via our issues paper (Option 1), which received broad stakeholder support.

We propose to close the ND1 (small business) and ND2 (residential) deemed network exemption classes in Appendix A-1 for *future* embedded networks, from a future effective date. This approach aligns with the proposed Retail Guideline amendments and ensures consistency across both Guidelines.

Existing deemed exempt network service providers would continue to operate under their deemed exemption and will not be impacted by this change. Exempt network service providers supplying new embedded networks will be required to register an exemption for most supply arrangements servicing residential and/or small business customers. This approach ensures we have improved visibility of residential embedded networks, including the location and number of customers affected by this arrangement going forward.

Increasing visibility through new reporting and notification requirement

To support improved visibility of embedded networks, we have included a new reporting condition (Condition 1.18) and new notification condition (Condition 1.19). Condition 1.18 requires an exempt network service provider to report residential customer numbers

⁹⁹ AER, [Network service provider registration exemption guideline review 2021–22](#)

annually, while Condition 1.19 requires an exempt network service provider to notify updated contact details of their authorised representative within 20 business days of any changes.

While the customer number reporting requirement will only apply to exempt network service providers who have registered an NR2 network class exemption, the requirement to update contact details will apply to all registrable network class exemptions. Exempt network service providers will be required to submit these updates via their registrations portal account.

With regards to the customer reporting requirement, we consider it appropriate to provide a period of adjustment before this sub-condition comes into effect and propose to make the effective date of this condition 1 July 2026. This will ensure exempt network service providers can develop processes to accommodate this requirement, and we can make the necessary registration portal adjustments.

In determining what a reporting condition might look like we have sought to strike a balance of obtaining meaningful data, that we can use for monitoring embedded networks, with our goal to minimise administrative burden for all. Further, we acknowledge that if the reporting and notification requirements are too onerous, we risk potential wide scale non-compliance, which would likely require significant AER resources to enforce.

Importantly, we will allow Conditions 1.18 and 1.19 to be met by a primary registrant – if there are multiple registrants for an exempt network site and they nominate a primary registrant to the AER to fulfil the reporting or notification obligation. We have updated section 5.1 of the draft Network Guideline to reflect this.

Individual exemption application process

We have expanded on our application and assessment process for individual exemptions in Appendix B of the Network Guideline. Specifically, we have clarified that an application may be refused without evidence that the proposed exempt network service provider has met applicable jurisdictional requirements. This will be relevant where applicants require a licence or authority to own, operate or control their proposed networks under state or territory legislation of the relevant jurisdiction.

We have also included new application requirements relating to:

- contingency arrangements to ensure continuity of supply for customers if the proposed network service provider ceases operations
- independent assessment of design and installation standards required for large-scale networks to ensure they fit for purpose.

Finally, we have indicated that applicants should include specific research, analysis or evidence supporting their position that their proposed supply activities are consistent with the NEO.

As networks become larger and more complex, we consider it appropriate to update our individual exemption application requirements to ensure that we receive all information necessary to inform our assessment against the NEO. This includes (where relevant) evidence that applicants have satisfied jurisdictional requirements to own, operate or control a proposed network under state or territory legislation. We also consider this avoids potential regulatory duplication, particularly where jurisdictional regulators assessing applications to approve or licence a network owner, operator or controller have criteria similar to the AER

under the NEO – specifically relating to quality, safety, reliability and security of electricity supply by the proposed network.

Exemption cancellation

While we consider that revoking an exempt network service provider's exemption should be a last resort, there are some circumstances where this action is warranted. We have clarified the grounds on which we may revoke a network exemption and our revocation process.

This includes where the AER is satisfied there has been:

- a material failure by the exempt network service provider to meet one or more conditions imposed under their exemption,
- false or misleading conduct by the exempt network service provider (or the authorised representative) about their eligibility for a network exemption at any time, or
- other conduct by the exempt network service provider that in the AER's reasonable opinion causes their exemption to be inconsistent with the NEO.

Additionally, to support improved transparency, we have detailed the process we will follow when revoking an exemption, which aligns with that in the Retail Guideline.

Terminology and definition changes

Integrating energy storage systems (IESS) and NEO

We have included minor amendments to ensure consistency with recent National Electricity Law and National Electricity Rules updates, including:

- updating terminology due to the AEMC's 2021 *IESS into the NEM* rule¹⁰⁰ and 2023 *Implementing IESS* rule.¹⁰¹ We have updated the Glossary to include the new terminology and revised the existing activity descriptions for exemption classes NDO1, NRO1 and NRO2. Amendments include incorporating the new system category *Integrated Resource System* and related terms *production unit* and *bidirectional unit*. We have also replaced the redundant term *Small Generation Aggregator* with *Small Resource Aggregator*.
- updating the NEO definition to include the new objective for emissions reduction.

Exempt network service provider

We have replaced the term *embedded network service provider* with *exempt network service provider* in the Glossary and throughout the draft Network Guideline. While *embedded network service provider* is defined in the National Electricity Rules and accounts for most of our network exemption holders, the term *exempt network service provider* is more inclusive. This is because our network exemptions framework also applies to exempt network service providers that do not own, operate or control an embedded network (for example, a Designated Network Asset owner, controller or operator eligible for class NRO8).

¹⁰⁰ AEMC, [Integrating energy storage systems into the NEM](#)

¹⁰¹ AEMC, [Implementing integrated energy storage systems](#)

AEMO exempt and AEMO registered

We have replaced the terms *off-market* and *on-market* with *AEMO exempt* and *AEMO registered* in the Glossary and throughout the draft Network Guideline. These terms are used when describing generating systems or integrated resources systems whose owners, controllers or operators are either exempt or require registration with AEMO as a generator or integrated resource provider, respectively. We have done this to avoid potential confusion with the terms *non-market* and *market* used in the National Electricity Rules for classification of production units.

Embedded network wiring information

We have added the term *embedded network wiring information* to the Glossary. This term, defined with the National Electricity Rules, is relevant to some additional information we propose to request from retrofit applicants. Specifically, we may require details of the panel layouts and wiring diagrams for the proposed retrofit as part of the AER application process.

We consider this is necessary to enable us to confirm that the proposed retrofit conforms to the requirements of the Network Guideline and National Electricity Rules – particularly the creation of parent and child connection points.

Additional clarifying guidance

Location of process flows

We have moved the process flow diagrams in Figures 1 and 2 from section 6 (How do you get an exemption?) to section 4 (What type of exemption applies to me?) of the draft Network Guideline to improve the readability and flow of information.

Effect of Embedded Network Manager appointment on ND1 and ND2 classes

We have provided further guidance via the footnote for Figure 2 in Section 4 to explain that only an exempt network service provider in activity class ND1 or ND2, that is required to appoint an Embedded Network Manager, must register in activity class NR1 or NR2, respectively.

External network charges

We have added a clarifying footnote to the term *cost pass through* in Part 2 of Appendix A-2 to explain how it relates to the specific charging methods outlined in sub-condition 5.2.1. Specifically, we outline that cost pass through covers either:

- external costs incurred by the exempt network provider for a particular customer and passed through at cost. For example, an upgrade to support a customer's generation system at their connection point ('direct attribution' method),
- DNSP costs charged to the exempt network service provider's parent meter that are then passed through to customers in proportion to electricity consumed at their respective child meters ('causer pays' method), and
- DNSP costs that would have been charged to the respective customers' child meters if they were directly connected to the grid. These are based on the DNSP's published network tariffs for residential and business customers ('shadow price' method).

We have also clarified that an exempt network service provider must notify a customer of any change to their network tariff at least 5 business days before the variation takes effect. This also aligns with the new requirement added to the Retail Guideline (for condition 7 – Pricing).

Aggregation of meter readings

We have revised the wording of draft condition 1.7 (Aggregation of meter readings) in Part 1 of Appendix A-2 and added footnotes to clarify that:

- an exempt network service provider may aggregate meter readings for billing purposes but not for the purposes of collecting or managing meter readings and data for National Electricity Market (NEM) settlement under the Electricity Rules, and
- suitable metering is required to facilitate this process – specifically, meters that record electricity to the same accuracy class and equivalent time intervals.

These changes are intended to avoid potential doubt for exempt network service providers and their customers as to when meter readings may be aggregated and for what purpose.

Child meter installation and NEM requirements

We have deleted the content from draft condition 2.4 (On-market generating systems) in Part 2 of Appendix A-2, which is more appropriate as an eligibility requirement, and replaced it with new draft condition 2.4 (Metering installation).

We have clarified that eligibility for class NRO2¹⁰² requires a prospective exempt network service provider to first confirm with AEMO whether performance standards apply to any third-party generating system or integrated resource system that will connect to their network. For these supply arrangements, AEMO must assess whether performance standards are required (if applicable) to ensure the third-party generating system or integrated resource system is unlikely to cause a material degradation to the quality of supply to other network users.

New draft condition 2.4 returns deleted content from condition 4.2 of the current Network Guideline. Specifically, the requirement for an exempt network service provider to install or replace child metering installations at their own cost in certain circumstances. We have also clarified that the current minimum services specification in Chapter 7 of the Electricity Rules applies to all new metering installations, and any existing metering installation where more than 50% of the active meters are being replaced. We have included this content to reduce potential uncertainty for embedded networks with legacy child-metering arrangements.

Change of site ownership

We have clarified in Section 6.2 that when a change of site ownership takes place, the new owner should notify us, via the registrable exemptions portal, *before* the change of ownership takes effects. This is to ensure consistency with the Retail Guideline.

Deemed network exemption class ND3

We have provided guidance in Appendix A-1 that we consider ‘short-term’ accommodation to mean 3 months or less. This is relevant to the deemed network exemption class ND3, which applies to persons supplying metered or unmetered electricity to occupants of

¹⁰² AEMO registered generating systems or integrated resource systems owned, controlled or operated by a third-party and connected to the national grid via an exempt network’s connection point. Extends to eligible customers providing wholesale demand response or ancillary market services. Note: This includes production units and/or plant consuming electricity that are (or are required to be) classified by a Market Participant under Chapter 2 of the NER.

accommodation on a short-term basis. This also aligns with the Retail Guideline approach to the equivalent retail deemed exemption D3.

Further streamlining

Retail exempt selling

We have removed extraneous content from draft section 9 (Retail exempt selling) that is largely descriptive and not directly relevant to network exemptions. However, we have retained some high-level information about energy selling in exempt networks and references to the Retail Guideline where stakeholders can find more detailed information.

Glossary

Term	Definition
Body corporate	A controlling body of a scheme constituted under state or territory strata titles legislation, the members of which are lot owners (or their representatives) and includes an owners' corporation but is not a body corporate for the purposes of the <i>Corporations Act 2001</i> (Cth).
Business customer	Means a customer who purchases energy principally for business use at industrial, commercial or retail premises.
Embedded network	Has the meaning specified in chapter 10 of the NER. A type of exempt network. A distribution system, connected at a parent connection point to either a distribution system or transmission system that forms part of the national grid, and which is owned, controlled or operated by a person who is not a Network Service Provider.
Embedded Network Manager	A person: a. who meets the requirements listed in schedule 7.7 and has been accredited and registered by AEMO as an Embedded Network Manager, and b. who has not been deregistered by AEMO as an Embedded Network Manager under clause 7.4.4(d).
Energy	Means electricity or gas.
Exempt embedded network service provider	A person who engages in the activity of owning, controlling or operating an embedded network under an exemption granted or deemed to be granted by the AER under section 13 of the NEL and clause 2.5.1(d).
Exempt seller	A person who is exempt by the AER under a deemed, registrable or individual exemption from the requirement to hold a retailer authorisation.
Meter	A device complying with Australian Standards which measures and records the production or consumption of electrical energy
Network Service Provider	A person who engages in the activity of owning, controlling or operating a transmission system or distribution system and who is registered by AEMO as a Network Service Provider under Chapter 2.
On-selling	An arrangement where a person acquires electricity from another person, and they, or a person acting on their behalf, sells electricity for use within the limits of a site.
Residential customer	Means a customer who purchases energy principally for personal, household or domestic use at premises.
Retailer	Means a person who is the holder of a retailer authorisation for the purposes of section 88 of the Retail Law.
Retrofit	Conversion of an existing network distribution system into an embedded network.
Supply	Means the delivery of electricity

Appendix A: Summary of stakeholder submissions

A.1 – Submissions to the Review of the AER exemption framework for embedded networks

A.1.1 – List of stakeholders

The review received 37 submissions to our November 2023 Issues Paper, one of which was confidential.

Consumer advocates	Industry	Government & other
<p>Ombudsmen</p> <ul style="list-style-type: none"> – Energy and Water Ombudsman South Australia – Energy and Water Ombudsman Queensland – Energy and Water Ombudsman New South Wales – Energy and Water Ombudsman Victoria <p>Consumer groups</p> <ul style="list-style-type: none"> – ACT Council of Social Service – Combined Pensioners & Superannuants Association of NSW – Council on the Ageing – Energy Consumers Australia – Justice and Equity Centre <i>Previously known as Public Interest Advocacy Centre</i> – Tenants’ Union of NSW <p>Strata representatives</p> <ul style="list-style-type: none"> – Body corporate of 6 Parkland Boulevard – Owners Corporation Network 	<p>Embedded networks (embedded network managers, exempt sellers and consultants)</p> <ul style="list-style-type: none"> – Active Utilities – Altogether Group – Embedded Network Manager solutions – Energy Intelligence – Energy Locals – Compliance Quarter – Humenergy – Network Energy Services – SUPA Energy – Trans Tasman Energy Group <p>Caravan parks/peak bodies</p> <ul style="list-style-type: none"> – Austin Tourist Park Tamworth – Caravan & Camping Industry Association NSW – Caravan Parks Association of Queensland Ltd – Victorian Caravan Parks Association <p>Other industry stakeholders</p> <ul style="list-style-type: none"> – Alinta Energy – Australian Pipelines & Gas Association – Electric Vehicle Council – Energy Queensland – NSW distribution network service providers Origin Energy 	<p>Government bodies</p> <ul style="list-style-type: none"> – Australian Energy Market Operator – Australian Energy Market Commission – City of Sydney – Department for Energy and Mining SA <p>Academia</p> <ul style="list-style-type: none"> – Professor Cathy Sherry (Macquarie University)

A.1.2 – Summary of submissions

The below table summarises stakeholder submissions to the issues paper.

Submissions to the AER issues paper – Review of the AER exemptions framework for embedded networks – November 2023	
Stakeholder submissions	Stakeholder responses
Approach to the Review	
Question 1: Do stakeholders consider one factor or principle should take precedence over another? If so, what weighting should we give the various principles or factors provided by the Retail Law to support any case for change to the exemptions framework?	
<p>ACT Council of Social Service (ACTCOSS)</p> <p>Active Utilities</p> <p>AEMC</p> <p>AEMO</p> <p>Alinta Energy</p> <p>Altogether Group</p> <p>Austin Tourist Park Tamworth</p> <p>Australian Pipelines & Gas Association (APGA)</p> <p>The body corporate of 6 Parkland Blvd</p> <p>Caravan, Camping & Touring Industry & Manufactured Housing Industry Association of NSW (CCIA)</p> <p>Caravan Parks Association of Queensland Ltd (CPAQ)</p> <p>City of Sydney</p> <p>Council on the Ageing (COTA)</p> <p>Combined Pensioners and Superannuants Association (CPSA)</p> <p>Department for Energy and Mining SA</p> <p>Electric Vehicle Council (EV Council)</p> <p>Energy Consumers Australia (ECA)</p> <p>Energy Intelligence</p> <p>Energy and Water Ombudsmen - Joint submission</p> <p>Energy and Water Ombudsman SA (EWOSA)</p> <p>Energy Queensland</p> <p>Embedded Network Manager Solutions (ENM Solutions)</p>	<p>Consumer protection: ACTCOSS, Active Utilities, AEMO, Alinta Energy, Altogether Group, APGA, COTA, ECA, ENM Solutions, EWOSA, the Ombudsmen’s joint submission, JEC/PIAC, NSW DNSPs, OCN, Origin Energy, and Tenants’ Union of NSW emphasised the importance of guaranteed consumer protections. Many stakeholders supported a focus on equivalent consumer protections for embedded network customers, through aligning embedded network protections with the broader National Energy Consumer Framework (NECF).</p> <p>Access to competition: AEMC, AEMO, Active Utilities, Alinta Energy, and SUPA Energy highlighted the importance of competition. They advocated that customers should have choice, and that exemptions should not lead to monopolistic arrangements. AEMC submitted that where exemptions are granted, the regulatory framework should be fit for purpose for a monopoly arrangement. Origin Energy observed the difficulty of accessing competition in an embedded network.</p> <p>Costs for exempt entities: Austin Tourist Park Tamworth, CPAQ, Energy Queensland, the EV Council, Trans Tasman Energy Group, and VicParks emphasised the large and growing regulatory burden and noted that increasing administrative costs could see costs passed onto customers. Austin Tourist Park Tamworth, CCIA, CPAQ, Network Energy Services, and VicParks noted a substantial body of jurisdictional legislation in NSW, QLD and VIC, which already applies to caravan parks, retirement villages and land-lease communities.</p> <p>Conversely, CPSA and JEC/PIAC said we should not prioritise the costs to exempt sellers, considering them to be immaterial. Active Utilities, Alinta Energy and JEC/PIAC additionally commented that the ability to comply with consumer protections should be a prerequisite for selling energy.</p> <p>Customer benefit: Alinta Energy, Altogether Group, the body corporate of 6 Parkland Blvd, City of Sydney, COTA, CPSA, and Energy Intelligence highlighted the importance of consumer benefits, considering that costs should be balanced against harm reduction. They suggested the AER look to minimise the cost of regulation, which would likely be passed onto consumers, while also ensuring consumers were protected from harm.</p> <p>Administrative cost for the AER: City of Sydney, Department for Energy and Mining SA, and JEC/PIAC said the AER should not take its administrative costs into consideration. Some suggested that the AER could consider additional resourcing, and others considered that meaningful improvements to the framework should decrease the AER’s costs.</p>

Submissions to the AER issues paper – <i>Review of the AER exemptions framework for embedded networks</i> – November 2023	
Stakeholder submissions	Stakeholder responses
Justice and Equity Centre (JEC/PIAC) Network Energy Services NSW distribution network service providers (NSW DNSPs) Origin Energy Owners Corporation Network (OCN) SUPA Energy Tenants' Union of NSW Trans Tasman Energy Group Victorian Caravan Parks Association (VicParks)	<p>Compliance: AEMO, ECA, Energy Intelligence, and JEC/PIAC considered that the AER's ability to monitor and enforce compliance should be prioritised. AEMO supported this consideration receiving the highest weight, noting the discrepancies in consumer protections, rebates, and dispute resolution.</p>
<p>Question 2: Is the AER's proposed approach to the exemption framework review the preferred approach? If no, what other factors or criteria should the AER consider?</p>	
AEMC AEMO Alinta Energy Altogether Group Austin Tourist Park Tamworth Australian Pipelines & Gas Association (APGA) The body corporate of 6 Parkland Blvd Caravan & Camping Industry Association NSW (CCIA) Caravan Parks Association of Queensland Ltd (CPAQ) Combined Pensioners and Superannuants Association (CPSA) Compliance Quarter City of Sydney Electric Vehicle Council (EV Council) Energy Intelligence Energy Locals Justice and Equity Centre (JEC/PIAC) Network Energy Services Owners Corporation Network (OCN)	<p>General support for AER's approach: AEMC, AEMO, Alinta Energy, the body corporate of 6 Parkland Blvd, City of Sydney, Energy Intelligence, Network Energy Services, and SUPA Energy were generally supportive of the AER's proposed approach. They supported the focus on evidence-based assessments and noted the importance of consumer benefit and compliance. However, the Ombudsmen's joint submission considered that embedded network harms were already understood, and no further evidence should be required for the AER to act.</p> <p>Further consultation: Austin Tourist Park Tamworth, Altogether Group, and CCIA recommended further industry consultation and transparency. They raised concerns that greater regulation could stifle innovation or create compliance challenges for certain embedded network types, such as caravan parks and small community networks.</p> <p>Housing affordability: CCIA, City of Sydney, Energy Locals, and OCN supported the consideration of housing affordability, and ensuring that reforms did not impact on housing supply. In contrast, CPSA and JEC/PIAC considered that housing impacts were beyond the scope of the review, and that any savings in development costs were not likely to be passed on to consumers.</p> <p>Reducing emissions: Compliance Quarter, City of Sydney, APGA, and Energy Intelligence said sustainability and emissions reduction should be considered, emphasising that embedded network infrastructure could support renewable energy, electric vehicle charging, and emissions reduction.</p> <p>Industry-specific adjustments: Austin Tourist Park Tamworth, CPAQ, and EV Council said the AER should tailor regulatory requirements to reduce administrative burden, particularly for smaller operators. CPAQ and CCIA also argued that businesses conducting incidental energy sales, such as caravan parks and land lease communities, face unique compliance challenges. They urged the AER to consider sector-specific exemption</p>

Submissions to the AER issues paper – <i>Review of the AER exemptions framework for embedded networks</i> – November 2023	
Stakeholder submissions	Stakeholder responses
SUPA Energy	<p>categories to address these issues. EV Council considered that EV charging infrastructure should be clearly separated from residential supply, and should be excluded from the framework.</p> <p>Profit-focused businesses: Owner representatives such as OCN and the body corporate of 6 Parkland Blvd supported the AER focusing on embedded networks operating for profit, which were more likely to not act in the interests of residents and customers.</p>
Question 3: Is our proposed review scope reasonable? If not, what other supply arrangements should be considered and why?	
<p>ACT Council of Social Service (ACTCOSS)</p> <p>AEMC</p> <p>AEMO</p> <p>Active Utilities</p> <p>Alinta Energy</p> <p>Altogether Group</p> <p>Caravan & Camping Industry Association NSW (CCIA)</p> <p>City of Sydney</p> <p>Combined Pensioners and Superannuants Association (CPSA)</p> <p>Compliance Quarter</p> <p>Council on the Ageing (COTA)</p> <p>Department for Energy and Mining SA</p> <p>Electric Vehicle Council (EV Council)</p> <p>Energy Consumers Australia (ECA)</p> <p>Energy Intelligence</p> <p>Energy Queensland</p> <p>Energy & Water Ombudsman Qld (EWOQ)</p> <p>Energy & Water Ombudsman SA (EWOSA)</p> <p>Energy and Water Ombudsmen - Joint submission</p> <p>Embedded Network Manager Solutions (ENM Solutions)</p> <p>Justice and Equity Centre (JEC/PIAC)</p> <p>Network Energy Services</p> <p>NSW distribution network service providers (NSW DNSPs)</p>	<p>General agreement on scope: ACTCOSS, Active Utilities, AEMC, AEMO, Alinta Energy, Altogether Group, CCIA, City of Sydney, Compliance Quarter, COTA, Energy Intelligence, ECA, ENM Solutions, the Ombudsmen’s joint submission, EWOQ, EWOSA, JEC/PIAC, OCN, Origin Energy, Network Energy Services, and Professor Sherry supported the proposed focus on residential embedded networks in high-density settings, as having the highest consumer protection risks. AEMC referred to its findings that higher-density residential networks were the main driver of growth in embedded networks, with significant consumer protection risks. Network Energy Services noted that this sector was responsible for the most complaints.</p> <p>Additional exemption classes: ACTCOSS, CPSA, Department for Energy and Mining SA, ENM Solutions, JEC/PIAC, and Tenants’ Union of NSW suggested expanding the review to encompass other types of embedded networks, such as retirement villages (NR3 class) and land lease communities (NR4). Tenants’ Union of NSW highlighted specific examples of poor service in land lease communities, including confusing bills with frequent price changes, and ageing infrastructure leading to brownouts. CPSA and JEC/PIAC noted the increased risk due to the high proportion of vulnerable customers, such as older customers, in these arrangements.</p> <p>Small businesses: ECA and EWOSA emphasised that small businesses consumers should be included in the scope. ECA said that small business customers lack access to external dispute resolution schemes. ENM Solutions noted EWON’s findings that small business customers have less access to dispute resolution.</p> <p>EV infrastructure: Compliance Quarter and EV Council highlighted the opportunity of embedded networks for EV charging equipment (EVSE), and the importance of designing regulatory frameworks that support EVSE without increasing costs or creating burdens.</p> <p>Bulk hot water & air conditioning: The Ombudsmen’s joint submission, EWOQ, EWOSA, JEC/PIAC, and Tenants’ Union of NSW called for the inclusion of bulk hot/chilled water and air-conditioning, noting that these services may cross-subsidise energy costs and affect pricing structures and will help to address the inequitable consumer protections in this area. The consumer advocates also noted evidence of high hot water charges, and highlighted that these are essential services.</p> <p>New embedded networks: ACTCOSS, Network Energy Services, JEC/PIAC, and NSW DNSPs supported the consideration of legacy embedded networks, arguing that all customers should be protected by the regulatory</p>

Submissions to the AER issues paper – <i>Review of the AER exemptions framework for embedded networks</i> – November 2023	
Stakeholder submissions	Stakeholder responses
Origin Energy Owners Corporation Network (OCN) Professor Cathy Sherry (Professor Sherry) SUPA Energy Tenants' Union of NSW	framework. NSW DNSPs suggested retrospective reform to protect existing embedded network customers through a gradual improvement process. SUPA energy supported the focus on future networks only. External impacts: Energy Queensland suggested expanding the scope to include impacts of embedded networks on other businesses such as retailers.
Chapter 5 – The growth in embedded networks	
Question 4: What factors are driving the increase in residential exemptions? Question 5: Which factors are having the biggest influence?	
Active Utilities Alinta Energy Altogether Group Austin Tourist Park Tamworth The body corporate of 6 Parkland Blvd City of Sydney Caravan & Camping Industry Association NSW (CCIA) Caravan Parks Association of Queensland Ltd (CPAQ) Combined Pensioners and Superannuants Association (CPSA) City of Sydney Energy and Water Ombudsmen - Joint submission Energy Intelligence Energy Locals Embedded Network Manager Solutions (ENM Solutions) Justice and Equity Centre (JEC/PIAC) NSW distribution network service providers (NSW DNSPs) Origin Energy Owners Corporation Network (OCN) Professor Cathy Sherry (Professor Sherry) SUPA Energy	<p>Commercial incentives for developers and other businesses: Altogether Group, CPSA, Energy Intelligence, Energy Locals, ENM Solutions, NSW DNSPs, Origin Energy, and Professor Sherry said that embedded networks are attractive to developers because they have lower building and administrative costs, and streamlined construction processes compared to grid-connected developments.</p> <p>The body corporate of 6 Parkland Blvd, City of Sydney, CPSA, JEC/PIAC, the Ombudsmen's joint submission, OCN, Professor Sherry, and SUPA Energy noted the commercial incentives for developers. They highlighted that these can avoid infrastructure costs, while infrastructure businesses and network operators can create ongoing revenue through long-term, secure income from infrastructure management rights. See also Question 15, <i>Infrastructure contracts</i>.</p> <p>Marketability: Active Utilities, Altogether Group, Energy Intelligence, ENM Solutions, and Origin Energy said that being able to avoid the capital costs of infrastructure provided developers with a low-cost and low-risk option to offer sustainable energy features that appealed to environmentally conscious buyers, such as solar or EV charging, and green building certification. See also Question 10, <i>Efficiency credentials</i>.</p> <p>Councils offering incentives: Professor Sherry noted the AEMC's 2017 Retail Energy Competition Review, which found that some councils offered incentives to developers to install embedded network infrastructure in their buildings to help achieve local sustainability targets.</p> <p>Population and Density: Alinta Energy, CCIA, and Origin Energy considered that the growing population and demand for high-density living were key factors in the growth of embedded networks.</p> <p>Regulatory Requirements and Compliance Awareness: Alinta Energy, Austin Tourist Park Tamworth, CCIA, CPAQ, Energy Intelligence, Origin Energy, and Professor Sherry considered that exemptions are also increasing due to growing awareness of the exemptions framework, leading existing businesses to register exemptions for networks already in existence.</p>

Submissions to the AER issues paper – <i>Review of the AER exemptions framework for embedded networks</i> – November 2023	
Stakeholder submissions	Stakeholder responses
Question 6: How common is it for new residential developments to be built as embedded networks?	
<p>Active Utilities Altogether Group The body corporate of 6 Parkland Blvd Combined Pensioners and Superannuants Association (CPSA) Energy & Water Ombudsman Qld (EWOQ) NSW distribution network service providers (NSW DNSPs) Owners Corporation Network (OCN) Origin Energy Justice and Equity Centre (JEC/PIAC) SUPA Energy</p>	<p>Increasingly common default arrangement: Active Utilities, Altogether Group, the body corporate of 6 Parkland Blvd, EWOQ, NSW DNSPs, Origin Energy, and SUPA Energy said that embedded networks have become the default wiring configuration for many high-density developments. Altogether Group stated that in South East Queensland, embedded networks are the most common type of configuration for new developments. Origin Energy said that most apartment developments with more than 20 units are built as embedded networks in Queensland. In NSW, Origin Energy stated that 75% of developments over 50 units use embedded networks.</p> <p>Growth across various development types: EWOQ and NSW DNSPs noted that embedded networks are growing in popularity across apartments, retirement villages, and caravan parks, with operators continuing to implement these arrangements. CPSA noted that from 2017 to 2023, exemptions for residential land lease communities (RLLCs) nearly doubled, and exemptions for retirement villages more than doubled. EWOQ notes that approximately 187,000 residents in Queensland are currently living within embedded networks.</p> <p>Lack of comprehensive data: JEC/PIAC and OCN highlighted a lack of detailed data tracking, recommending that more systematic collection of data be implemented to accurately gauge the prevalence of embedded networks in new developments.</p>
CHAPTER 6 – Benefits and harms of embedded networks	
Question 7: How do embedded networks result in lower energy prices for residential customers? Please provide supporting information	
<p>Active Utilities Altogether Group The body corporate of 6 Parkland Blvd Caravan Parks Association of Queensland (CPAQ) Compliance Quarter Energy Locals Humenergy Network Energy Services NSW distribution network service providers (NSW DNSPs) Justice and Equity Centre (JEC/PIAC) Origin Energy SUPA Energy</p>	<p>Bulk purchasing and lower network costs: Altogether Group, CPAQ, and Humenergy noted that the ability to bulk purchase energy as a large customer, and the ability to pass on savings from lower network charges, were key factors enabling lower prices.</p> <p>Altogether Group, Energy Locals, Network Energy Services, SUPA Energy, and the body corporate of 6 Parkland Blvd, provided a range of information, including detailed pricing data and analysis, showing customers paying less or comparable rates to the Default Market Offer (DMO).</p> <p>Humenergy noted that the long-term nature of energy supply contracts could shield customers from market volatility.</p> <p>Aggregation of demand: Altogether Group and NSW DNSPs noted that embedded networks allow the aggregation of diverse load sources, leading to lower demand charges. Several stakeholders noted the potential for embedded networks to enable demand management. See also Question 10, <i>Demand management</i>.</p>

Submissions to the AER issues paper – <i>Review of the AER exemptions framework for embedded networks</i> – November 2023	
Stakeholder submissions	Stakeholder responses
	<p>Enabling consumption of on-site generation and/or storage: Active Utilities, Compliance Quarter, Humenergy, Network Energy Services, and NSW DNSPs noted that embedded networks allow residents to consume locally generated solar energy, or batter storage, avoiding purchases from the grid.</p> <p>Additionally, this usage could offset or subsidise common area energy costs, fund building maintenance, or offset ownership fees and levies.</p> <p>Passing on savings: JEC/PIAC and Origin Energy reported some scepticism, noting that there may be little price difference or benefit for consumers when profits are captured by operators rather than shared with residents.</p>
<p>Question 8: How do infrastructure costs for new developments built as embedded networks compare to non-embedded networks?</p> <p>Question 9: How do higher-density complexes configured as embedded networks benefit residential buyers? Please provide supporting information</p>	
<p>Active Utilities Altogether Group The body corporate of 6 Parkland Blvd Caravan & Camping Industry Association NSW (CCIA) City of Sydney Compliance Quarter Council on the Ageing (COTA) Electric Vehicle Council (EV Council) Energy Intelligence Energy Locals Humenergy Network Energy Services Origin Energy Owners Corporation Network (OCN) Professor Cathy Sherry (Professor Sherry) SUPA Energy</p>	<p>Building cost efficiencies: Altogether Group, Energy Intelligence, Energy Locals, SUPA Energy, and the body corporate of 6 Parkland Blvd submitted that embedded networks were a more cost-effective approach to high-density development, noting that shared infrastructure results in time, cost and space efficiencies, compared to grid connected developments. These efficiencies may contribute to reducing apartment purchase costs.</p> <p>Facilitating efficient technology: Active Utilities, City of Sydney, CCIA, COTA, Compliance Quarter, Energy Intelligence, EV Council, Humenergy, and Origin Energy said that the embedded networks business model of third-party businesses owning or operating a building’s infrastructure, facilitated sustainable and efficient energy technologies, such as solar panels, battery storage and EV charging. Compliance Quarter referred to research showing that solar can improve the viability of embedded networks. Active Utilities, City of Sydney, Energy Locals, and SUPA Energy noted that the business model led to greater capital investment in infrastructure than would occur for a grid-connected development.</p> <p>City of Sydney observed that increasing CER in apartments would be critical to reducing emissions associated with the housing sector and assist the electrification of the energy system.</p> <p>Cost shifting: Network Energy Services, OCN, and Professor Sherry considered this business model amounted to hidden developer cost shifting onto future residents. See also Question 15, <i>Infrastructure contracts</i>.</p>
<p>Question 10: What kind of innovative and emissions reduction arrangements can embedded networks offer residential customers?</p>	
<p>Active Utilities The body corporate of 6 Parkland Blvd</p>	<p>Grid benefits: Active Utilities, City of Sydney, Energy Locals, ENM Solutions, EV Council, Humenergy, NSW DNSPs, and Origin Energy described how embedded networks can enable centralised management of a building’s energy demand or load. This may facilitate a number of wider grid benefits, such as lower</p>

Submissions to the AER issues paper – <i>Review of the AER exemptions framework for embedded networks</i> – November 2023	
Stakeholder submissions	Stakeholder responses
City of Sydney Compliance Quarter Council on the Ageing (COTA) Energy Locals Embedded Network Manager Solutions (ENM Solutions) Electric Vehicle Council (EV Council) Humenergy NSW distribution network service providers (NSW DNSPs) Origin Energy SUPA Energy Trans Tasman Energy Group	<p>consumption, higher energy efficiency and optimised solar exports. City of Sydney noted that embedded network-configured buildings can enable demand shifting, and may help rapidly electrify the energy system. City of Sydney observed that the facilitation of CER in apartments would be critical to reducing emissions associated with the housing sector and assist the electrification of the energy system.</p> <p>Humenergy, City of Sydney and Trans Tasman Energy Group discuss embedded networks’ potential for increased resilience, such as enabling local power generation and supporting the grid during emergencies.</p> <p>Efficiency credentials: Active Utilities said embedded networks can more easily enable buildings to achieve green building accreditation, due to design that enables more detailed visibility and reporting of buildings’ energy use.</p> <p>Customer monitoring: Energy Locals noted the development of innovative emissions monitoring apps for customers.</p> <p>EV infrastructure: EV Council, the body corporate of 6 Parkland Blvd, Compliance Quarter, and SUPA Energy emphasised that embedded networks can enable infrastructure for EV charging stations, which reduces reliance on public charging and supports sustainable transport. COTA noted the importance of careful management of cost allocation for EV infrastructure. Compliance Quarter stated that 90% of EV owners prefer home charging, due to the convenience and ability to use renewable energy.</p> <p>Also see Questions 7, <i>Direct CER benefits</i>, 8 and 9, <i>Facilitating sustainable infrastructure</i>.</p>
Question 11: What other benefits are there for residential embedded network customers?	
Altogether Group The body corporate of 6 Parkland Blvd City of Sydney Compliance Quarter Embedded Network Manager Solutions (ENM Solutions) Energy Intelligence Energy Locals Humenergy Network Energy Services	<p>Community engagement with energy: Altogether Group, Humenergy, and ENM Solutions highlighted that embedded networks can create a sense of community around shared goals (e.g. sustainability goals) and offers residents greater control over their energy usage. City of Sydney and Compliance Quarter said that embedded networks empower residents to contribute directly to sustainability initiatives, fostering active participation in climate action.</p> <p>Customer service: Network Energy Services considered that embedded networks facilitated high-quality and customised customer service. Altogether Group and ENM Solutions highlighted low rates of ombudsman complaints, and survey results indicating customers were satisfied with the service.</p> <p>Altogether Group, Energy Intelligence, and Energy Locals noted innovative consumer tools, such as advanced energy monitoring, integration of smart home technologies, and innovative billing platforms and apps. Energy Intelligence and the body corporate of 6 Parkland Blvd noted benefits like customers receiving a single bill, faster service connections, which improves the customer experience in high-density settings.</p>

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Question 12: How should we consider any consequential benefits such as improved access to affordable housing in this review?	
<p>ACT Council of Social Service (ACTCOSS) Altogether Group Caravan & Camping Industry Association NSW (CCIA) Caravan Parks Association of Queensland (CPAQ) Combined Pensioners and Superannuants Association (CPSA) Embedded Network Manager Solutions (ENM Solutions) Justice and Equity Centre (JEC/PIAC) Owners Corporation Network (OCN) Professor Cathy Sherry (Professor Sherry) SUPA Energy Victorian Caravan Parks Association (VicParks)</p>	<p>Affordability and housing access: Altogether Group, CPAQ, and SUPA Energy noted that embedded network savings could improve housing affordability, especially for vulnerable groups.</p> <p>Questionable impact on housing costs: ACTCOSS, CPSA, JEC/PIAC, OCN, and Professor Sherry said that housing prices are driven by broader market dynamics, and that any savings related to the embedded network were more likely to go to developers as additional profit, rather than greater housing affordability. ACTCOSS noted that many developments that do not use an embedded network successfully compete in the market.</p> <p>Affordable energy for vulnerable customers: SUPA Energy detailed its work with affordable housing providers, and outlined the energy savings available to residents due to embedded networks. ENM Solutions noted that the Victorian government is utilising embedded networks to provide social housing and cheap renewable energy. CCIA, CPAQ, and VicParks noted that caravan parks and RLLCs provide affordable housing to vulnerable residents, and highlighted the high cost of switching from embedded networks to a grid-connected system.</p>
Question 13: What is the evidence that supports the view that embedded network customers are paying higher energy prices compared to on-market retail customers?	
<p>ACT Council of Social Service (ACTCOSS) AEMC Active Utilities Alinta Energy Altogether Group Energy & Water Ombudsman Queensland (EWOQ) Justice and Equity Centre (JEC/PIAC) NSW distribution network service providers (NSW DNSPs) Origin Energy Owners Corporation Network (OCN) SUPA Energy Tenants' Union of NSW Trans Tasman Energy Group</p>	<p>Lack of Competition or protection: ACTCOSS, AEMC, EWOQ, OCN, Tenants' Union of NSW, and JEC/PIAC highlighted the risk that EN customers may pay higher prices than retail market customers due to the lack of competitive pressure or pricing protections.</p> <p>Active Utilities, Altogether Group, and Origin Energy made anecdotal references to some sellers providing little or no discount to the DMO, or engaging in “predatory” or “exploitative” pricing practices. Altogether Group said the perception of a lacking compliance framework contributed to these practices. Trans Tasman Energy Group said that developers locking embedded network customers into higher rates through restrictive contracts led to higher prices.</p> <p>Evidence of price benefits: Altogether Group, SUPA Energy, and Alinta Energy provided a range of information, including detailed pricing data and analysis, showing that their embedded network customers pay less or comparable rates to the Default Market Offer (DMO), citing cases where operators provide lower prices or where infrastructure costs are minimised.</p> <p>Monitoring and Reporting Challenges: Alinta Energy and NSW DNSPs pointed out that the lack of reporting mechanisms for exempt sellers hinder accurate monitoring of price outcomes. They suggested that greater information gathering and reporting would help to capture price trends in embedded networks.</p>

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Stakeholder submissions	Stakeholder responses
Question 14: What evidence is available to understand the scale, extent or risk of harms?	
<p>ACT Council of Social Service (ACTCOSS) AEMC Caravan Parks Association of Queensland (CPAQ) Energy & Water Ombudsman Queensland (EWOQ) Energy & Water Ombudsman SA (EWOSA) Energy and Water Ombudsmen - Joint submission Embedded Network Manager Solutions (ENM Solutions) Justice and Equity Centre (JEC/PIAC) Network Energy Services Tenants' Union of NSW</p>	<p>Observed harms and lack of consumer protections: ACTCOSS, AEMC, JEC/PIAC, and the Ombudsmen's joint submission reported various consumer protection issues affecting embedded network customers, including limited protections for de-energisation, re-energisation, and hardship support, which increase the risks and vulnerability of customers. EWOQ highlighted gaps in transparency, with some embedded network operators failing to provide clear billing information that prevent accurate comparisons with market rates.</p> <p>Documented harms: EWOQ, EWOSA, and the Ombudsmen's joint submission referred to complaints data, and previous reports indicating that some embedded network customers do not see good outcomes.</p> <p>Confusing bills: Tenants' Union of NSW provided examples of confusing bills in residential land lease communities, including unexplained changes in pricing.</p> <p>Sector-specific observations: CPAQ noted that complaints in the caravan park embedded network segment are low due to customers' ability to resolve issues face-to-face.</p> <p>Low complaints: ENM Solutions considered the overall level of embedded network complaints was similar to, or better than, grid-connected customers. Network Energy Services considered that retirement villages and residential land lease communities have demonstrated a high level of care for residents.</p>
Question 15: What other harms do embedded network customers face?	
<p>ACT Council of Social Service (ACTCOSS) Active Utilities AEMC AEMO Alinta Energy Altogether Group The body corporate of 6 Parkland Blvd City of Sydney Combined Pensioners and Superannuants Association (CPSA) Compliance Quarter Council on the Ageing (COTA) Department for Energy and Mining SA Embedded Network Manager Solutions (ENM Solutions)</p>	<p>Barriers to competition: ACTCOSS, the body corporate of 6 Parkland Blvd, Compliance Quarter, CPSA, the Ombudsmen's joint submission, EV Council, and JEC/PIAC considered that the significant challenges for customers to access retail competition leads to poor outcomes. Active Utilities, AEMC, and Compliance Quarter considered that the ability to switch provider would mitigate many harms and risks.</p> <p>Inconsistent consumer protections: ACTCOSS, Active Utilities, AEMO, Alinta Energy, Altogether Group, COTA, ECA, ENM Solutions, the Ombudsmen's joint submission, EWOSA, JEC/PIAC, OCN, and Origin Energy noted that embedded network customers received a lower level of consumer protection. There are numerous consumer protection gaps and inconsistencies between grid-connected customers and embedded network customers.</p> <p>Infrastructure contracts: The body corporate of 6 Parkland Blvd, City of Sydney, Network Energy Services, OCN, the Ombudsmen's joint submission, Professor Sherry, and Trans Tasman Energy Group flagged that developers are outsourcing infrastructure ownership or management to third parties, and emphasised the long-term financial burden of this model. Stakeholders noted that customers often lack visibility over the formation of these contracts, and they may harm customer outcomes by over-recovering costs. OCN and Professor Sherry considered the practice an abuse of strata law, and Professor Sherry noted that the practice may breach fiduciary duty in some jurisdictions. Network Energy Services, OCN, and Professor Sherry proposed that body</p>

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Stakeholder submissions	Stakeholder responses
<p>Energy and Water Ombudsmen - Joint submission Energy & Water Ombudsman Queensland (EWOQ) Energy & Water Ombudsman SA (EWOSA) Energy Consumers Australia (ECA) Energy Locals Electric Vehicle Council (EV Council) Network Energy Services NSW distribution network service providers (NSW DNSPs) Origin Energy Owners Corporation Network (OCN) Justice and Equity Centre (JEC/PIAC) Professor Cathy Sherry (Professor Sherry) Tenants' Union of NSW Trans Tasman Energy Group</p>	<p>corporates should be free to choose their own service provider. To address these risks, Trans Tasman Energy Group suggested limiting the length of initial energy and service contracts made for a body corporate.</p> <p>Billing: EWOQ and EWOSA highlighted evidence that billing was the most frequent cause of complaints in embedded networks. JEC/PIAC considered that customers lack information about their bills. Tenants' Union of NSW provided evidence of unclear bills, some with frequent and unexplained price changes.</p> <p>Customer information: ACTCOSS, ECA, the Ombudsmen's joint submission, EWOQ, EWOSA, JEC/PIAC, and Tenants' Union of NSW noted that customers may not know their home is in an embedded network, and may not understand the implications. Research from Bastion Insights confirms that many embedded network customers were not aware of this before moving in.</p> <p>Problems and complaints: CPSA, ECA, EWOSA, and NSW DNSPs flagged that embedded network customers did not have the same access to complaint lines, and dispute resolution processes. ACTCOSS, COTA and JEC/PIAC flagged the possibility that customers may not feel empowered to complain due to concern for their housing security. NSW DNSPs noted that embedded network customers may lack access to an ombudsman.</p> <p>Concessions and rebates: AEMO, CPSA, Energy Locals, EWOQ, JEC/PIAC, and NSW DNSPs noted that in embedded networks, access to concessions and rebates can be limited, or involve a complicated application process.</p> <p>Vulnerable populations: COTA, CPSA, Department for Energy and Mining SA, JEC/PIAC, and Tenants' Union of NSW highlighted that embedded networks frequently house low-income, elderly, and marginalised customers, who may be more impacted by high costs, and who may be less aware of their rights within embedded networks</p>

CHAPTER 7 – Potential options under the Network Guideline

Question 16: How can we maximise the extent to which any changes to our Guidelines complements jurisdictional actions and minimise the risk of misalignment or duplication?

<p>Altogether Group City of Sydney Combined Pensioners and Superannuants Association (CPSA) Electric Vehicle Council (EV Council) Embedded Network Manager Solutions (ENM Solutions) Energy Intelligence Justice and Equity Centre (JEC/PIAC) Owners Corporation Network (OCN)</p>	<p>Support for harmonisation: Altogether Group, City of Sydney, ENM Solutions, and JEC/PIAC highlighted the value of common standards among jurisdictions. They considered this would reduce regulatory overlap and ensure consistency in consumer protections. JEC/PIAC suggested the AER adopt a “highest common denominator” approach, to ensure the best protection for customers.</p> <p>Adopt jurisdictional approaches: City of Sydney recommended aligning AER guidelines with the NSW policy framework, while also supporting the adoption of the Victorian Government's approach of requiring embedded networks to have on-site and renewable generation. OCN recommended for a “Local energy services” approach, as in Victoria. See also Question 21, <i>Local energy services</i>. CPSA supported adopting a similar approach. EV Council recommended that the AER should align with the Victorian approach of exempting infrastructure for charging electric vehicles.</p>
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	<p>Engaging across jurisdictions: City of Sydney, Energy Intelligence, and ENM Solutions recommended that regular engagement between jurisdictions and the AER would improve the alignment of customer protections. ENM Solutions considered this would help to share learnings and improve customer outcomes.</p> <p>Duplicating jurisdictional requirements: Several stakeholders noted jurisdictional legislation which already applies to caravan parks and residential land lease communities (RLLC) and raised concerns about any guideline changes to duplicate those. Also see Question 1, <i>Costs for exempt entities</i>, and Question 31, <i>Tenancy law and RLLCs</i>.</p>
Question 17: What are the risks and implications for embedded networks service providers, prospective exempt sellers, customers and other relevant third parties if we require current deemed exemptions to be registered? How could any risks be mitigated?	
<p>Active Utilities Alinta Energy Altogether Group Caravan & Camping Industry Association NSW (CCIA) Caravan Parks Association of Queensland (CPAQ) Electric Vehicle Council (EV Council) Embedded Network Manager Solutions (ENM Solutions) Energy Intelligence Energy Locals Energy Queensland Justice and Equity Centre (JEC/PIAC)</p>	<p>Increased compliance costs: Alinta Energy, Altogether Group, CCIA, CPAQ, Energy Intelligence, Energy Locals, Energy Queensland, and EV Council noted the potential administrative burdens for smaller networks. They emphasised that this could lead to higher compliance costs being passed on to customers, especially for small operators. EV Council considered that requiring registration for EV charging infrastructure would stall the growth in the availability of EV chargers.</p> <p>Supply concerns: CCIA emphasised the risk that additional compliance costs may force operators to go out of business, which may threaten security of supply.</p> <p>Compliance difficulties: Altogether Group and Energy Intelligence highlighted the risk of compliance breaches for smaller, less well-resourced networks.</p> <p>Embedded Network Codes: ENM Solutions noted that local network service providers (LNSPs) will need to create Embedded Networks Codes, particularly for older and small networks. It noted that National Metering Identifiers (NMI) are needed to provide access to competition, and highlighted the role of embedded network managers.</p> <p>Transition period: CPAQ and Energy Intelligence suggested a transition period for existing exempt networks to comply with new registration requirements to avoid penalties.</p> <p>Change the exemption classes threshold: Active Utilities proposed revising the classification criteria to differentiate between small and large networks, suggesting the line could be drawn at around 50 lots. This would reflect the greater customer risk, and greater profit motive, in larger embedded networks.</p> <p>Other strategies: Altogether Group and CCIA considered that appointing authorised retailers could help mitigate some compliance issues. Energy Intelligence recommended providing regulatory support and education to assist networks in understanding the new requirements.</p> <p>Views of low risk: Active Utilities, ENM Solutions, and JEC/PIAC considered that the risks of requiring exempt parties to register are not large. They did not see significant material impacts on the sector from implementing this change, and considered that potential negative consequences are manageable.</p>

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Question 18: How should we measure the benefits to consumers of registration?	
<p>Active Utilities Alinta Energy Altogether Group City of Sydney Department for Energy and Mining SA Energy Consumers Australia (ECA) Energy & Water Ombudsman Queensland (EWOQ) Energy & Water Ombudsman South Australia (EWOSA) Energy Intelligence Justice and Equity Centre (JEC/PIAC) Embedded Network Manager Solutions (ENM Solutions) NSW distribution network service providers (NSW DNSPs)</p>	<p>Improved transparency and consumer protection: Alinta Utilities, Altogether Group, City of Sydney, Department for Energy and Mining SA, ECA, EWOQ, EWOSA, JEC/PIAC, and NSW DNSPs supported registration for all exempt networks. Stakeholders argued that registration would increase transparency, encouraging better visibility for customers and regulatory bodies. This would improve compliance with the guideline conditions, and better protect customers. JEC/PIAC noted that registration itself provides a benefit by creating transparency about consumers' circumstances and facilitating enforcement of compliance measures.</p> <p>Data-driven measurement approaches: Altogether Group suggested using data platforms like Energy Made Easy, as well as requiring exempt sellers to declare customer benefits to gauge the benefits flowing to customers. Energy Intelligence proposed using customer satisfaction surveys, complaint data analysis, and service connection timelines as metrics to assess the benefits to consumers of registration.</p> <p>Difficult to measure: Active Utilities was not convinced that it would be possible to measure the benefits to customers.</p> <p>Sampling and monitoring for compliance: Alinta Energy and ENM Solutions recommended regular sampling of embedded networks and on-sellers to ensure compliance and measure the benefits of registration, proposing that this data be used to evaluate whether consumer protections are being effectively enforced.</p>
Question 19: What are the risks and implications for embedded network service providers, prospective exempt sellers, customers and other relevant third parties if we revised the NR2 registrable network class exemption activity criteria to include prescribed customer benefits that must be met by NR2 registrable network class exemption holders? How could the risks be mitigated?	
<p>Active Utilities Altogether Group The body corporate of 6 Parkland Blvd Caravan & Camping Industry Association NSW (CCIA) Department for Energy and Mining SA Embedded Network Manager Solutions (ENM Solutions) Energy & Water Ombudsman Queensland (EWOQ) Energy & Water Ombudsman South Australia (EWOSA) Energy and Water Ombudsmen - Joint submission Energy Intelligence Energy Locals Energy Queensland</p>	<p>Low risk: Active Utilities did not see risk in this approach, while Department for Energy and Mining SA considered this to be the minimum requirement to ensure that new networks benefitted consumers.</p> <p>Preferred over AER approval: CCIA and Energy Locals preferred this option to an AER approval process, which they considered would result in delays and administrative burden. Altogether Group said it would be more effective to require sellers to show benefits rather than network operators.</p> <p>Increased costs and operational challenges: Active Utilities, Altogether Group, the body corporate of 6 Parkland Blvd, Energy Intelligence, and ENM Solutions mentioned the risk of higher compliance costs that could be passed onto customers. Origin Energy considered that this option would not be workable without stronger compliance controls.</p> <p>Prescriptivity: Active Utilities, ENM Solutions, Origin Energy, and SUPA Energy highlighted concerns that overly prescriptive criteria could stifle innovation and deter new providers from entering the market. ENM Solutions noted that this was not a requirement for grid-connected customers, and some residents may not wish to be provided the benefits specified. Origin Energy and SUPA Energy considered that generic obligations may be problematic given the diversity of networks in the space.</p>

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Justice and Equity Centre (JEC/PIAC) Origin Energy SUPA Energy	<p>Mitigation strategies: Altogether Group and Energy Intelligence proposed a transition period, for businesses to adjust. Energy Intelligence suggested a collaborative approach towards the industry.</p> <p>Land lease communities: CCIA considered that this option should be limited to NR2 exemptions, considering that the risks to customers were more material, and residential land lease communities are already regulated through various frameworks.</p> <p>Verifying benefits: Energy Queensland flagged that a self-assessment approach comes with a risk of inaccuracy. It suggested an auditing framework would be imperative to ensure compliance. CCIA favoured a self-assessment approach supplemented with random reviews or audits. This would allow the AER to verify customer outcomes without imposing excessive regulatory burdens upfront.</p> <p>Protections over benefits: EWOQ, EWOSA, and JEC/PIAC opposed the option to prescribe benefits. JEC/PIAC did not consider this an effective approach, considering that benefits should be ensured through effective competition. The Ombudsmen’s joint submission considered the AER’s goal should be to prevent harm, rather than provide benefits beyond those available to grid-connected customers.</p>
<p>Question 20: If we were to prescribe a list of specific embedded network customer benefits, what could be included?</p>	
Active Utilities Altogether Group The body corporate of 6 Parkland Blvd Caravan & Camping Industry Association NSW (CCIA) Caravan Parks Association of Queensland (CPAQ) City of Sydney Electric Vehicle Council (EV Council) Embedded Network Manager Solutions (ENM Solutions) Energy Intelligence Energy Locals Energy Queensland SUPA Energy	<p>Competitive pricing and transparency: Active Utilities, the body corporate of 6 Parkland Blvd, CPAQ, Energy Intelligence, Energy Locals, and SUPA Energy considered that pricing benefits would be key. Suggestions included setting prices below the Default Market Offer (DMO) and offering transparent billing to ensure customers have clear pricing information.</p> <p>Sustainable and renewable energy initiatives: Altogether Group, CCIA, City of Sydney, ENM Solutions, and SUPA Energy proposed benefits linked to sustainability, such as requirements for renewable energy, high efficiency, or access to carbon offsets. However, Energy Queensland recommended further assessment of industry readiness before imposing a renewables target.</p> <p>Enhanced consumer protections and services: The body corporate of 6 Parkland Blvd, CPAQ, and Energy Locals suggested benefits could include access to energy-efficient programs, demand management systems, and dispute resolution mechanisms. They also highlighted the importance of privacy protections and customer support improvements.</p> <p>Access to EV charging infrastructure: Energy Intelligence, EV Council, and SUPA Energy supported the consideration of EV charging solutions as a key benefit. They highlighted the growing demand for EV infrastructure in apartment complexes and embedded networks, seeing this as a potential value addition for residents.</p>

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Stakeholder submissions	Stakeholder responses
Question 21: What other regulatory approaches would enable the AER to ensure future embedded networks are beneficial to customers?	
<p>Active Utilities Altogether Group The body corporate of 6 Parkland Blvd Caravan Parks Association of Queensland (CPAQ) Combined Pensioners and Superannuants Association (CPSA) Council on the Ageing (COTA) Electric Vehicle Council (EV Council) Embedded Network Manager Solutions (ENM Solutions) Energy & Water Ombudsman Queensland (EWOQ) Energy & Water Ombudsman South Australia (EWOSA) Energy Consumers Australia (ECA) Energy Locals Owners Corporation Network (OCN) SUPA Energy</p>	<p>Improving transparency and monitoring: The body corporate of 6 Parkland Blvd, CPAQ, and Energy Locals suggested increased reporting requirements and transparency measures. These included annual price reporting and making such information publicly available to help monitor compliance and detect exploitative practices.</p> <p>Strengthening consumer protections: COTA, EWOQ, and EWOSA called for strengthening the conditions of exemption holders to focus on harm minimisation, rather than additional benefits. They supported implementing stricter guidelines to ensure consumer protections align with those offered to on-market customers.</p> <p>Compliance measures: ECA supported reforms to the compliance framework, including monitoring to ensure that all customers are protected.</p> <p>Market competition and retail access: Altogether Group, OCN, Energy Locals, and SUPA Energy proposed increasing competition within embedded networks by facilitating customers’ ability to switch to third-party retailers. This could be achieved through processes similar to on-market retail services, enhancing customer choice and bargaining power. SUPA Energy suggested a network settlement process consistent with on-market customers, to ensure customers can opt out. Altogether Group proposed that all embedded networks should be serviced by authorised retailers.</p> <p>Energy only offers: Active Utilities and ENM Solutions suggested greater visibility of retailers who make energy-only offers, to improve competition. ENM Solutions noted that retailers of last resort could be required to make energy-only offers, while Active Utilities recommended the AER publish a list of retailers who make these offers.</p> <p>Local energy services: OCN and CPSA advocated for an approach similar to the Victorian framework. OCN described “local energy services” as a fee for service model, which would allow for electrification and renewable energy. OCN suggested the model should be building-specific, but with standardised billing, reporting, and disclosure to new buyers, with benefits required to be passed on to customers. OCN recommended that developers not be allowed to receive NR2 exemptions, to ensure contracts are made in the interest of residents.</p> <p>Exemption for charging: EV Council recommended an approach that would exempt EV charging infrastructure from needing to register an exemption with the AER, provided it does not sell energy to residential premises.</p>

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Question 22: What are the risks to embedded network service providers, prospective exempt sellers, customers and other relevant third parties if we introduced a requirement to apply to the AER to register an NR2 network class exemption?	
<p>Active Utilities Altogether Group The body corporate of 6 Parkland Blvd Electric Vehicle Council (EV Council) Embedded Network Manager Solutions (ENM Solutions) Energy & Water Ombudsman Queensland (EWOQ) Energy & Water Ombudsman South Australia (EWOSA) Energy Intelligence Energy Locals Energy and Water Ombudsmen - Joint submission Justice and Equity Centre (JEC/PIAC) Network Energy Services Owners Corporation Network (OCN) Origin Energy SUPA Energy</p>	<p>Administrative and compliance burden: Altogether Group, EWOQ, EWOSA, Energy Intelligence, and Origin Energy were concerned about increased administrative costs, bottlenecks, and delays. The AER may struggle to manage the additional workload, potentially leading to approval delays and increased costs for consumers and developers. ENM Solutions and Energy Locals noted the importance of clear timeframes for approvals to avoid uncertainty and delays impacting construction timelines.</p> <p>Impact on smaller providers and market viability: Altogether Group and Energy Intelligence raised concerns that the regulatory requirements may be challenging for smaller providers, potentially leading to market exists or reducing their ability to compete effectively. This could stifle innovation and limit customer choice.</p> <p>Regulatory process would stall developments: SUPA Energy and Active Utilities argued that stringent requirements might hinder the viability of some developments, potentially preventing projects from progressing.</p> <p>Customer access and experience: The Ombudsmen’s joint submission, Energy Intelligence, and Origin Energy highlighted risks related to customer access to services, including longer connection times and the potential for customers to be stranded without access if exemptions are denied or if there are delays in the process.</p> <p>Potential for unintended market consequences: EV Council and Network Energy Services warned of the potential negative impact on broader market goals, such as encouraging electric vehicle adoption, if new regulatory burdens deter embedded network development or innovation.</p> <p>Stakeholder and consumer protection: The body corporate of 6 Parkland Blvd and OCN considered that AER assessment of new network applications could mitigate risks of overcharging or inadequate service.</p> <p>Risks not material: The body corporate of 6 Parkland Blvd, JEC/PIAC, and OCN considered that there was little risk in this requirement.</p>
Question 23: What are the implications of requiring embedded network service providers to demonstrate customer benefits before being permitted to register an NR2 network class exemption?	
<p>ACT Council of Social Service (ACTCOSS) Active Utilities Altogether Group The body corporate of 6 Parkland Blvd Caravan & Camping Industry Association NSW (CCIA)</p>	<p>Enhanced customer protections: ACTCOSS, the body corporate of 6 Parkland Blvd, Department for Energy and Mining SA, ECA, Network Energy Services, OCN, and Tenants’ Union of NSW indicated that if operators were required to demonstrate customer benefits to the AER, customers would see better outcomes. They emphasised that it ensures tangible consumer advantages, like cost savings and access to sustainable energy resources. OCN stressed that ongoing customer benefit is crucial to the case for embedded networks.</p>

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<p>Department for Energy and Mining SA Embedded Network Manager Solutions (ENM Solutions) Energy & Water Ombudsman Queensland (EWOQ) Energy & Water Ombudsman South Australia (EWOSA) Energy Consumers Australia (ECA) Energy Intelligence Energy Locals Network Energy Services Origin Energy Owners Corporation Network (OCN) SUPA Energy Tenants' Union of NSW Trans Tasman Energy Group</p>	<p>Increased administrative burden: Active Utilities, Altogether Group, CCIA, Energy Intelligence, Energy Locals, ENM Solutions, EWOQ, EWOSA, Origin Energy, SUPA Energy, and Trans Tasman Energy Group expressed concerns over increased burden, and noted it may lead to delayed projects and increased costs. They feared this could discourage providers and developers, impede innovation, and potentially lead to higher prices for consumers. ENM Solutions suggested that a timeline for approval may reduce the burden, and questioned what enforcement approaches could address cases of non-compliance.</p> <p>Discrepancies in customer protections: EWOQ and EWOSA did not support the requirement, noting that it may create different standards for embedded networks and grid-connected customers.</p> <p>Costs of assessment: Active Utilities, ENM Solutions, EWOQ, EWOSA, Network Energy Services, and Origin Energy noted the increase in costs to the AER in assessing applications.</p> <p>Consider alternatives: CCIA and Trans Tasman Energy Group suggested alternatives, like self-assessment or a notice and penalty regime, to mitigate regulatory burdens.</p>
<p>Question 24: What support is there to stop the expansion of residential embedded networks by closing the NR2 registrable network exemption class?</p>	
<p>ACT Council of Social Service (ACTCOSS) Active Utilities AEMC Altogether Group The body corporate of 6 Parkland Blvd Caravan & Camping Industry Association NSW (CCIA) Compliance Quarter Embedded Network Manager Solutions (ENM Solutions) Energy Intelligence Energy & Water Ombudsman Queensland (EWOQ) Energy & Water Ombudsman South Australia (EWOSA) Energy Locals NSW distribution network service providers (NSW DNSPs) Origin Energy Owners Corporation Network (OCN) Justice and Equity Centre (JEC/PIAC)</p>	<p>Opposition to closing NR2 exemptions: Active Utilities, Altogether Group, the body corporate of 6 Parkland Blvd, CCIA, Compliance Quarter, Energy Intelligence, Energy Locals, ENM Solutions, EWOQ, EWOSA, OCN, Origin Energy, and SUPA Energy opposed closing the NR2 exemption class. Their primary concerns include stifling innovation, reducing customer choice, increasing energy costs, and limiting access to shared infrastructure benefits (e.g. renewable energy). Some argued that eliminating NR2 could hinder new developments and increase project costs.</p> <p>Support for limiting future exemptions: ACTCOSS, AEMC, JEC/PIAC, NSW DNSPs, Professor Sherry, and Tenants' Union of NSW supported closing or limiting future NR2 exemptions. They considered that individual applications, rather than class exemptions, would ensure that only networks demonstrating clear consumer benefits are allowed. They recommended a more rigorous case-by-case assessment, to prevent exploitation of exemptions by developers and ensure tangible benefits for low-income or vulnerable consumers.</p>

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Stakeholder submissions	Stakeholder responses
Professor Cathy Sherry (Professor Sherry) SUPA Energy Tenants' Union of NSW	
Question 25: What would be the impacts on customers, embedded network service providers, exempt sellers, embedded network managers, and other parties if we ceased granting exemptions for embedded networks with more than 10 residential customers? Please provide information to support your views.	
ACT Council of Social Service (ACTCOSS) Active Utilities Altogether Group Australian Pipelines & Gas Association (APGA) The body corporate of 6 Parkland Blvd Caravan & Camping Industry Association NSW (CCIA) Energy & Water Ombudsman Queensland (EWOQ) Energy & Water Ombudsman South Australia (EWOSA) Embedded Network Manager Solutions (ENM Solutions) Energy Intelligence Energy Locals NSW distribution network service providers (NSW DNSPs) Owners Corporation Network (OCN) Justice and Equity Centre (JEC/PIAC) Professor Cathy Sherry (Professor Sherry) SUPA Energy	<p>Potential negative impacts on the industry and consumers: Active Utilities, Altogether Group, APGA, CCIA, Energy Intelligence, ENM Solutions, Energy Locals, EWOQ, EWOSA, and SUPA Energy considered that ceasing exemptions for larger embedded networks would lead to significant challenges. They warned of cancelled developments, job losses, reduced innovation, and higher costs passed on to consumers. They stressed that operational difficulties could include delayed connections and increased administrative burdens.</p> <p>Loss of customer benefits: The body corporate of 6 Parkland Blvd, ENM Solutions, and OCN highlighted that this would remove the opportunity for residents to access the benefits of embedded networks. The body corporate of 6 Parkland Blvd emphasised the price opportunity for residents, when bodies corporate are not controlled by other parties. ENM Solutions noted the benefits of solar in embedded networks, and referred to the Victorian review.</p> <p>Support for enhanced consumer protections: ACTCOSS, JEC/PIAC, and NSW DNSPs emphasised the need for enhanced consumer protections by ceasing exemptions for larger embedded networks. They considered that larger networks should meet the same standards as traditional energy providers to ensure fair pricing and consumer protections.</p> <p>Concerns over innovation and development constraints: CCIA, EWOQ, EWOSA, and OCN express concerns that stopping exemptions could stifle innovation and limit investment in shared infrastructure projects, particularly in high-density residential areas and non-traditional housing, like caravan parks. They argued that this move might discourage the development of energy-efficiency solutions, reduce market competitiveness, and increase project costs, negatively impacting housing availability and affordability.</p> <p>No evidence of impact: Professor Sherry considered there was little risk in prohibiting embedded networks. She considered that embedded networks were not required for the development of apartments, and developers would continue to operate profitably without them. JEC/PIAC considered that any potential negative impacts on consumers are speculative and should be assessed through empirical evidence rather than hypothetical arguments. NSW DNSPs highlighted the licensing framework for private water networks, which could serve as a model.</p>

Submissions to the AER issues paper – <i>Review of the AER exemptions framework for embedded networks</i> – November 2023	
Stakeholder submissions	Stakeholder responses
CHAPTER 8 – Potential options under the Retail Guideline	
Question 26: What compliance breaches should exempt sellers be required to submit to the AER, if they on-sell to residential customers?	
<p>Active Utilities Alinta Energy Altogether Group The body corporate of 6 Parkland Blvd Caravan Parks Association of Queensland (CPAQ) City of Sydney Council on the Ageing (COTA) Department for Energy and Mining SA Embedded Network Manager Solutions (ENM Solutions) Energy Consumers Australia (ECA) Energy Locals Energy Queensland Justice and Equity Centre (JEC/PIAC) Origin Energy SUPA Energy</p>	<p>Alignment with authorised retailers: Active Utilities, Alinta Energy, Altogether Group, the body corporate of 6 Parkland Blvd, Energy Locals, Energy Queensland, JEC/PIAC, Origin Energy, and SUPA Energy advocated for exempt sellers to report all breaches of the Retail Guideline, reflecting the obligations of retailers. This would include reporting breaches of conditions on pricing, life support obligations, hardship support, and explicit informed consent (EIC).</p> <p>Material and significant compliance breaches: SUPA Energy suggested focusing on material compliance breaches only, proposing quarterly reporting as a suitable frequency. ENM Solutions also indicated a focus on significant compliance breaches or areas with direct consumer impact, rather than broad and exhaustive reporting for all compliance issues.</p> <p>Flexibility and proportionality: Alinta Energy, City of Sydney, and Department for Energy and Mining SA noted the importance of making the obligations manageable for exempt sellers, and supported tailoring the obligations in proportion. They suggested simplified sampling or spot-audit approaches for smaller entities to reduce reporting burdens, at least in the short term. ECA proposed an interim measure of conducting random compliance checks on a sample of exempt sellers, while CPAQ suggested reporting could be required only after a complaint.</p> <p>Improvements in enforcement: COTA, Department for Energy and Mining SA, and ECA emphasised the need for a robust compliance framework to ensure consumer protections are enforced effectively.</p>
Question 27: What performance reporting indicators would best support the AER to identify consumer trends and inform regulatory reform for embedded networks.	
<p>Alinta Energy Altogether Group The body corporate of 6 Parkland Blvd Caravan Parks Association of Queensland (CPAQ) City of Sydney Department for Energy and Mining SA Embedded Network Manager Solutions (ENM Solutions) Energy & Water Ombudsman Queensland (EWOQ)</p>	<p>Comprehensive customer metrics: CPAQ, ENM Solutions, and SUPA Energy suggested indicators which include average cost per kWh, administrative fees, number of life support customers, customers on payment plants, disconnection rates and customer queries about going on-market.</p> <p>Pricing transparency: The body corporate of 6 Parkland Blvd, CPAQ, Department for Energy and Mining SA, ENM Solutions, Energy Queensland, EWOQ, EWOSA, JEC/PIAC, the Ombudsmen’s joint submission, Network Energy Services, and OCN proposed that performance reporting should include prices or other financial outcomes. Stakeholders noted the value of transparency, to inform customers as well as regulatory decisions. Network Energy Services proposed that this information should be reported to the body corporate.</p>

Submissions to the AER issues paper – <i>Review of the AER exemptions framework for embedded networks – November 2023</i>	
Stakeholder submissions	Stakeholder responses
Energy & Water Ombudsman South Australia (EWOSA) Energy Consumers Australia (ECA) Energy Queensland Energy and Water Ombudsmen - Joint submission Justice and Equity Centre (JEC/PIAC) Network Energy Services Owners Corporation Network (OCN) SUPA Energy	<p>Focus on consumer outcomes: Altogether Group and EWOSA recommend gathering data on customer outcomes, such as pricing, support provided to customers in financial hardship, and comparisons to the DMO.</p> <p>Simplified sampling approach: Alinta Energy, City of Sydney, CPAQ, and ECA suggested approaches to compliance, including a sample-based approach, such as a short online survey to gather data periodically, which will reduce the burden on exempt sellers.</p>
<p>Question 28: What would be the benefits, costs and risks to exempt sellers, and other stakeholders, if the AER were to impose compliance and/or performance reporting obligations on exempt sellers, who on-sell to residential customers?</p>	
Altogether Group The body corporate of 6 Parkland Blvd Caravan & Camping Industry Association NSW (CCIA) Department for Energy and Mining SA Electric Vehicle Council (EV Council) Embedded Network Manager Solutions (ENM Solutions) Energy Consumers Australia (ECA) Energy & Water Ombudsman Queensland (EWOQ) Energy and Water Ombudsmen - Joint submission Justice and Equity Centre (JEC/PIAC) SUPA Energy	<p>Improved compliance and customer outcomes: Altogether Group, Department for Energy and Mining SA, ECA, JEC/PIAC, and the Ombudsmen’s joint submission saw benefits in increased transparency and consumer protection, leading to better market performance and fewer consumer issues.</p> <p>Increased costs and viability concerns: CCIA and the body corporate of 6 Parkland Blvd considered that compliance costs may be high, especially for smaller entities. This may potentially lead to increased prices for consumers or make the service unsustainable. EV Council noted challenges with enforcing data collection requirements and emphasised the need to collaborate with industry.</p> <p>Mitigation strategies: Suggestions to mitigate the burden include limiting obligations to larger exempt sellers, outsourcing compliance to third parties (SUPA Energy), or using a simplified reporting approach such as a demerit point systems (ENM Solutions).</p> <p>Balancing burden and benefits: EWOQ and the Ombudsmen’s joint submission highlighted the need for a balanced approach, where the reporting burden is justified by tangible benefits to consumers, such as enhanced protections and better visibility into market practices.</p>
<p>Question 29: Should we extend any compliance reporting obligations to exempt embedded network service providers, via the Network Guideline?</p>	
Active Utilities Altogether Group The body corporate of 6 Parkland Blvd Caravan & Camping Industry Association NSW (CCIA) Caravan Parks Association of Queensland (CPAQ) Embedded Network Manager Solutions (ENM Solutions)	<p>Support for obligations: CCIA, CPAQ, Energy Intelligence, Energy Queensland, EWOSA, NSW DNSPs, the Ombudsmen’s joint submission, and SUPA Energy supported obligations for network businesses to report compliance breaches. Several submissions considered network businesses would be better placed to comply, noting their sole business is supplying energy, compared to exempt sellers who primarily operate outside the energy industry.</p> <p>Inconsistent with market structure: Altogether Group and Origin Energy considered that compliance reporting obligations should not be placed on exempt networks, to maintain consistency with the overall</p>

Submissions to the AER issues paper – <i>Review of the AER exemptions framework for embedded networks</i> – November 2023	
Stakeholder submissions	Stakeholder responses
<p>Energy and Water Ombudsmen - Joint submission Energy & Water Ombudsman SA (EWOSA) Energy Intelligence Energy Locals Energy Queensland Network Energy Services NSW distribution network service providers (NSW DNSPs) Origin Energy Justice and Equity Centre (JEC/PIAC) SUPA Energy</p>	<p>structure where authorised retailers have reporting obligations, rather than registered networks. Altogether Group highlighted the risk of duplication of retailer reporting obligations. ENM solutions noted the importance of clarifying where the obligations sit, in terms of parties which own, control or operate a network.</p> <p>Reporting for either party: The body corporate of 6 Parkland Blvd, ENM Solutions, and Network Energy Services did not consider there to be a meaningful difference between reporting for exempt networks and reporting for exempt sellers.</p> <p>Focus on high-risk or large networks: CPAQ, Energy Queensland, and JEC/PIAC recommended limiting the extension of obligations to larger or higher-risk networks to avoid overburdening smaller, low-impact entities. SUPA Energy recommended that compliance obligations be scaled according to the size and impact of the entity. Altogether Group highlighted concerns that increased regulatory requirements could be disproportionate for smaller providers.</p> <p>Enhanced consumer protections: Active Utilities and Energy Locals considered that extending obligations will ensure consistent protections across both authorised retailers and exempt providers, improving overall market fairness.</p>
Question 30: Should family violence obligations be extended to exempt sellers who on-sell to residential and small business customers?	
<p>Active Utilities Alinta Energy Altogether Group Austin Tourist Park Tamworth The body corporate of 6 Parkland Blvd Caravan & Camping Industry Association NSW (CCIA) Caravan Parks Association of Queensland (CPAQ) City of Sydney Council on the Ageing (COTA) Department for Energy and Mining SA Electric Vehicle Council (EV Council) Embedded Network Manager Solutions (ENM Solutions) Energy and Water Ombudsmen - Joint submission Energy & Water Ombudsman QLD (EWOQ) Energy & Water Ombudsman SA (EWOSA) Energy Consumers Australia (ECA)</p>	<p>Support for family violence obligations: Active Utilities, Alinta Energy, Altogether Group, City of Sydney, COTA, Department for Energy and Mining SA, ECA, ENM Solutions, Energy Intelligence, EWOQ, EWOSA, JEC/PIAC, the Ombudsmen’s joint submission, NSW DNSPs, Origin Energy, SUPA Energy, and Tenants’ Union of NSW supported family violence protections for customers of exempt sellers. Many emphasised that all customers, including those in embedded networks, should have the same level of protection as on-market customers, and effective enforcement of compliance.</p> <p>Concerns about implementation and impact: Austin Tourist Park Tamworth, EV Council and Network Energy Services expressed concerns about extending such obligations to certain business types. EV Council argued that family violence protections are not relevant for electric vehicle charging, as this is not an essential service. Austin Tourist Parks Tamworth and Network Energy Services considered that the obligations should not apply to caravan parks, due to their limited administrative capacity. SUPA Energy flagged that clarity was needed on whether the obligation would apply to owning, operating, or controlling a network.</p> <p>Perpetrators, customers and staff: CCIA, JEC/PIAC, the Ombudsmen’s joint submission and Tenants’ Union of NSW highlighted the complex relationships and proximity of customers, sellers, perpetrators and victims in embedded networks. Tenants’ Union of NSW emphasised the importance of safeguarding customer safety. CCIA and CPAQ highlighted concerns regarding safety risks for staff and the complexity of implementing family violence policies in specific settings like caravan parks.</p>

Submissions to the AER issues paper – <i>Review of the AER exemptions framework for embedded networks</i> – November 2023	
Stakeholder submissions	Stakeholder responses
Energy Intelligence Justice and Equity Centre (JEC/PIAC) Network Energy Services NSW distribution network service providers (NSW DNSPs) Origin Energy SUPA Energy Tenants' Union of NSW	<p>Existing measures and practices: Active Utilities, Alinta Energy, the body corporate of 6 Parkland Blvd, and CPAQ mentioned existing family violence policies already in place, indicating that certain exempt sellers are proactive in providing protections.</p>
<p>Question 31: What obligations would, and would not, be feasible to implement?</p>	
Altogether Group Austin Tourist Park Tamworth Caravan & Camping Industry Association NSW (CCIA) Caravan Parks Association of Queensland (CPAQ) Department for Energy and Mining SA Embedded Network Manager Solutions (ENM Solutions) Energy & Water Ombudsman South Australia (EWOSA) Energy and Water Ombudsmen - Joint submission Justice and Equity Centre (JEC/PIAC) Network Energy Services SUPA Energy	<p>Challenges for small sellers: Altogether Group, Austin Tourist Park Tamworth, CCIA, CPAQ, ENM Solutions, EWOSA, JEC/PIAC, the Ombudsmen's joint submission and Network Energy Services noted the challenges that smaller networks might face in implementing family violence obligations. These include limited resources for training, ongoing monitoring, information security, and support services.</p> <p>Tenancy law and land lease communities: CCIA and CPAQ noted that family violence is already addressed in some jurisdictional legislation, such as Queensland's tenancy law and residential land lease communities (RLLC) legislation in NSW. CCIA provided detailed recommendations on family violence requirements as they could apply to RLLC operators. It considered many obligations were too burdensome for small exempt sellers, and some were not applicable due to jurisdictional frameworks.</p> <p>Feasibility in caravan parks: CPAQ supported provisions for confidentiality, hardship and payment plans, customer-centric communication, and de-energisation, but considered the others may prove too burdensome for caravan parks.</p> <p>Best practice approaches: Austin Tourist Park Tamworth and Network Energy Services suggested an approach based on "best practice" guidance rather than prescriptive regulation. Department for Energy and Mining SA suggested a principles-based approach.</p> <p>Financial security: SUPA Energy proposed focusing on core feasible measures like account holder security and payment plans, but highlighted challenges when multiple parties are involved in the selling and managing of energy in embedded networks.</p>
<p>Question 32: Could some obligations be tailored to the specific circumstances of an exempt selling scenario? How, and what support might enable sellers to meet their obligations effectively? What additional obligations should the core exemption conditions include?</p>	
Altogether Group Caravan Parks Association of Queensland (CPAQ)	<p>Obligations based on customer cohort: Altogether Group and JEC/PIAC advocated for tailored family violence obligations based on the specific circumstances of the exempt selling scenario. They suggested that</p>

Submissions to the AER issues paper – Review of the AER exemptions framework for embedded networks – November 2023

Stakeholder submissions	Stakeholder responses
<p>Embedded Network Manager Solutions (ENM Solutions) Energy & Water Ombudsman South Australia (EWOSA) Energy and Water Ombudsmen - Joint submission Justice and Equity Centre (JEC/PIAC) Network Energy Services NSW distribution network service providers (NSW DNSPs)</p>	<p>requirements could be adjusted depending on the demographics of the customer base, for example affordable housing or lifestyle resorts.</p> <p>Guidance and support: CPAQ, ENM Solutions, EWOSA, JEC/PIAC, the Ombudsmen’s joint submission, and Network Energy Services emphasised the need for support, such as clear guidance, resources, and/or a model family violence policy template. These measures could assist smaller sellers in understanding and meeting their obligations, without overburdening them. EWOSA suggested that industry associations may be well placed to provide this guidance to their members. CPAQ and ENM Solutions highlighted the importance of having a standardised approach, with scalable resources made available to ensure consistent and effective implementation across different types of exempt sellers.</p> <p>Training: JEC/PIAC suggested the AER arrange training for exempt sellers. ENM Solutions suggested that financial support or subsidies for training programs could help smaller sellers to train their staff.</p> <p>Policy template: CPAQ, ENM Solutions, and the Ombudsmen’s joint submission suggested the AER provide a template or simplified policy to make the implementation process more accessible, especially for small businesses with limited resources.</p> <p>Future vs existing: NSW DNSPs recommended that obligations be mandatory for embedded networks but gradually applied to existing ones, considering the varying levels of visibility and impact across networks.</p> <p>Additional obligations for core exemption conditions: Altogether Group and JEC/PIAC suggested that core exemption conditions include proactive community benefit requirements, ensuring exempt sellers provide outcomes equal to or better than on-market offerings.</p>

A.2 – Submissions to the Draft Network Guideline (version 7) December 2022

A.2.1 – List of stakeholders

The review received 15 submissions to our 2022 draft Network Guideline, 2 of which were confidential.

Consumer advocates	Industry	Government & other
<p>Ombudsmen</p> <ul style="list-style-type: none"> - ACT Civil and Administrative Tribunal– Energy & Water Division - Energy & Water Ombudsman NSW - Energy & Water Ombudsman SA - Energy & Water Ombudsman Qld 	<p>Embedded network managers, exempt sellers and consultants</p> <ul style="list-style-type: none"> - Enel X - ENM Solutions <p>Caravan parks/peak bodies</p> <ul style="list-style-type: none"> - Caravan & Camping Industry Association NSW, Manufactured Housing Industry Association NSW, and Land Lease Living Industry Association NSW (<i>joint submission</i>) - Caravan Parks Association of Qld <p>Other industry stakeholders</p> <ul style="list-style-type: none"> - Energy Australia - Energy Intelligence - Energy Queensland – Ergon Energy & Energex - Origin Energy - Shopping Centre Council of Australia 	<p>Government bodies</p> <ul style="list-style-type: none"> - Australian Energy Market Operator - NSW Office of Energy and Climate Change

A.2.2 – Summary of submissions

Submissions to the draft Network Exemptions Guideline (version 7) – December 2022	
Stakeholder submissions	Key stakeholder responses
Streamlining the Guideline	
General comments	
Caravan Parks Association of Qld (CPAQ) Embedded Network Manager Solutions (ENM Solutions) Enel X Energy & Water Ombudsman NSW (EWON) Energy Intelligence Origin Energy Shopping Centre Council of Australia (SCCA)	<p>General support: CPAQ, Enel X, ENM Solutions, Energy Intelligence, EWON and Origin Energy supported the structural improvements, and considered they streamlined and clarified the Guideline. Energy Intelligence considered the draft was user-friendly and ambiguities had been removed. Enel X highlighted the clarity and readability of the parts on Small Resource Aggregators, and operating and controlling embedded networks.</p> <p>Consistency: SCCA considered the Guideline should be easily understandable with limited scope for misinterpretation.</p>
Revised title of Guideline; diagrams and flowcharts	
Caravan Parks Association of Qld (CPAQ) Shopping Centre Council of Australia (SCCA)	<p>Support: CPAQ considered that the flowcharts and diagrams make the document easier to navigate and understand.</p> <p>Examples: SCCA suggested the listed examples on page 8 be categorised as either residential or non-residential.</p>
Plain language, accessible text and consistent terminology	
Caravan & Camping Industry Association NSW (CCIA), Manufactured housing Industry Association NSW (MHIA), and Land Lease Living Industry Association NSW (LLLIA) (CCIA, MHIA, and LLLIA) Caravan Parks Association of Qld (CPAQ) Energy Intelligence	<p>General support: CCIA, MHIA, and LLLIA and EWOQ supported the simplified language in the Guideline. This included simplifying the Guideline by using plain language, consistent terminology and accessible text and graphics.</p> <p>Structure: CCIA, MHIA, and LLLIA reiterated their request to simplify the Guideline by structuring it according to class activity, rather than conditions. They considered that this would improve readability for all businesses, even if some content was replicated. They suggested the Retail Guideline could benefit from a similar structure.</p> <p>Definitions: CPAQ supported the additional terms and definitions to the Glossary. Energy Intelligence suggested that the glossary should include the definition of ‘on-market’ and ‘off-market’ customer.</p>
Primary registrant	
ACT Civil and Administrative Tribunal (ACAT) Caravan & Camping Industry Association NSW (CCIA), Manufactured housing Industry	<p>General support: CCIA, MHIA, and LLLIA, CPAQ, EWON, EWOQ, and Origin Energy supported the proposed primary registrant model. EWOQ considered that it will minimise confusion about who should apply for ombudsman scheme membership, reduce administration in tracking exempt persons who were not members, and limit the parties involved in</p>

Submissions to the draft Network Exemptions Guideline (version 7) – December 2022

Stakeholder submissions	Key stakeholder responses
<p>Association NSW (MHIA), Land Lease Living Industry Association NSW (LLLIA) Caravan Parks Association of Qld (CPAQ) Energy & Water Ombudsman NSW (EWON) Energy & Water Ombudsman Qld (EWOQ) Energy & Water Ombudsman SA (EWOSA) Origin Energy Shopping Centre Council of Australia (SCCA)</p>	<p>dispute resolution. Origin Energy noted that its current approach is similar, where the site owner is nominated as primary registrant. CCIA, MHIA and LLLIA expected that it will reduce regulatory burden and costs.</p> <p>Ombudsman requirement: Origin Energy considered it necessary that owners corporations should also be responsible for registering membership. ACAT noted that the ombudsman requirement would have no impact in the ACT, because retailers cannot join ACAT, but come under its jurisdiction through the <i>Utilities Act 2000</i>.</p> <p>Non-primary registrant(s): EWOQ requested clarity to ensure that Ombudsmen can take action against a supplier who is not the primary registrant. It also considered that when liability is shared between primary and secondary registrants, the agreement should be included on the AER Register. EWOSA noted its preliminary view that it can only take a complaint if the registrant is a member of the ombudsman scheme, preventing it from assisting in cases which implicate non-primary registrants.</p> <p>Determining the PR: The Ombudsmen suggested guidance on determining the primary registrant. EWON noted that recognising only one of several parties creates risk, but considered that clear wording can address this. However, EWON suggested the AER provide guidance on who the primary registrant should be, suggesting indicators such as retail authorisation, and capacity to comply with conditions. EWON considered it is critical that PR has the legal power to make decisions in compliance with conditions, including binding ombudsman decisions. EWOQ added that the primary registrant must have the appropriate authority and capacity to resolve customer complaints.</p> <p>Application: EWOQ requested clarity on whether the primary model would apply retrospectively, or only apply to new exempt networks. If a network's primary registrant changes, EWOQ requested clarity on whether this would be updated with the AER and then the ombudsman schemes. SCCA requested clarity regarding the policy intent and application of the primary registrant model.</p> <p>Compliance responsibility: CPAQ did not support the draft policy position that all parties are responsible for failure to comply. CPAQ recommended that only the primary registrant should be responsible for non-compliance with the applicable condition, to incentivise primary registrant nomination.</p> <p>Non-residential customers: SCCA considered that shopping centre embedded networks and associated customers do not need to be covered by Ombudsman schemes, and requested clarity around the intent and application of the condition.</p>
<p>Small Resource Aggregator (SRA) schemes</p>	
<p><i>(previously known as Small Generation Aggregator (SGA) schemes)</i></p>	
<p>Australian Energy Market Operator (AEMO) Caravan Parks Association of Qld (CPAQ) Enel X Energy Queensland</p>	<p>Support: Enel X supported SRAs falling under the Guideline and clarification that class NRO2 applies to these schemes, and further requested whether this would include the Integrated Resource Providers once the AEMC's Integrated Energy Storage System rule change takes effect.</p>

Submissions to the draft Network Exemptions Guideline (version 7) – December 2022	
Stakeholder submissions	Key stakeholder responses
Shopping Centre Council of Australia (SCCA)	<p>Undefined term: Enel X was concerned that the term ‘load installations’ is not defined in the NER. It recommended replacing that term with ‘plant that consumes electricity’, noting that ‘plant’ is defined in the NER ‘as equipment that generates, utilises and/or transmits electrical energy’.</p> <p>Solar systems: SCCA recommended clarifying that embedded solar systems under 5MW owned by an exempt person (rather than a third-party) are exempt.</p> <p>Connection requirements: Energy Queensland expressed concerns that third-party owned generating systems under 5MW connected to an embedded network are not required to comply with DNSP connection requirements. Energy Queensland recommended the 5MW threshold be removed, requiring all generating systems to comply with performance standards.</p> <p>Framework misuse: AEMO considered that embedded networks which have been established only to sell energy into the NEM (and not on-sell energy to customers) should not be allowed under the Guideline, to prevent misuse of the framework. AEMO also raised concerns about the potential for settlement anomalies to arise through on-market child connection points that continue to receive energy within self-sufficient embedded networks during grid outages. To help address this, AEMO suggested that condition 1.4 be amended to provide for loss of supply to the grid.</p>
Embedded Network Manager requirements	
<p>Caravan & Camping Industry Association NSW (CCIA), Manufactured housing Industry Association NSW (MHIA), Land Lease Living Industry Association NSW (LLLIA)</p> <p>Caravan Parks Association of Qld (CPAQ)</p> <p>Embedded Network Manager Solutions (ENM Solutions)</p> <p>Energy Intelligence</p> <p>Origin Energy</p> <p>Shopping Centre Council of Australia (SCCA)</p>	<p>ENM appointment: CPAQ, CCIA, MHIA and LLLIA, and Origin Energy supported the 30-day timeframe for appointing an ENM after an ‘ENM trigger event’ occurs. CCIA, MHIA and LLLIA suggested a 90-day timeframe if this was insufficient. Energy Intelligence suggested that it would be less challenging to meet this timeframe if exempt persons maintained up-to-date information on their electrical configuration (see below under “Network Information”).</p> <p>Deferring ENM appointment: Origin Energy supported deferral of ENM appointment where it would impose unnecessary costs on customers, or where retail competition is lacking. CCIA, MHIA, and LLLIA support including this where the appointment would not serve a practical purpose. ENM Solutions recommended defining the geographical boundaries of ‘regional Queensland’ based on ENM appointment deferral – whether consistent with Ergon’s Distribution zone or otherwise.</p> <p>Excluded exemption classes: CCIA, MHIA, and LLLIA and CPAQ strongly urged the AER to reinsert a paragraph (in condition 4.4.2 of current Guideline version 6) which had been replaced by a footnote 62 on page 54. The paragraph, in condition 4.4.2 (ENM appointment trigger conditions) would clarify for all network operators that ND3 and NR4 are excluded from early ENM appointment.</p> <p>Customer threshold: ENM Solutions considered embedded networks with less than 30 customers (notably, classes NR1 and NR5) is common, and this threshold impedes access to retail competition. They considered these types of networks would benefit from earlier ENM appointment to navigate on-market scenarios and inform customers of options and negotiation capabilities.</p> <p>Network information: Energy Intelligence was concerned that embedded network configuration information may be poorly maintained, or inaccurate, noting their experiences of older networks. It suggested an obligation for exempt persons to keep</p>

Submissions to the draft Network Exemptions Guideline (version 7) – December 2022	
Stakeholder submissions	Key stakeholder responses
	<p>up-to-date information, arguing this would improve customer safety. This could also streamline the process for appointing an ENM.</p> <p>Cost recovery: ENM Solutions requested clarity on whether condition 6.1 (Cost recovery for appointment or service provision) applies to scenarios where an ENM is not required. They considered this would improve readability and avoid misinterpretation.</p> <p>Affected deemed classes: SCCA raised concerns that the Guideline appeared to prohibit deemed exemptions for entities when they appoint an ENM. They considered section 4.2 (page 12) and Figure 2 (page 18) suggested this broad prohibition, while Table 1 (page 32) suggested the deemed exemption exclusion only applies to ND1 and ND2. SCCA submitted that deemed exemptions should remain available regardless of the appointment of an ENM as in their context considering general compliance awareness, lack of material risk/harm and the blend of exemptions required in running functions ancillary to normal shopping centre operations. SCCA noted that Table 1 for ND1 suggests applying for a NR1 exemption although this class only applies where there are ‘ten or more’ customers. They requested clarity where there are less than 10 customers but an ENM must be appointed.</p> <p>ENM Solutions suggested adding a ‘linked deemed exemption’ column for relevant registrable exemptions in Appendix A-1 where ENM appointment is required.</p>
Explicit informed consent (EIC)	
<p>ACT Civil and Administrative Tribunal (ACAT)</p> <p>Caravan Parks Association of Qld (CPAQ)</p> <p>Embedded Network Manager Solutions (ENM Solutions)</p> <p>Energy & Water Ombudsman NSW (EWON)</p> <p>Energy & Water Ombudsman Qld (EWOQ)</p> <p>Enel X</p> <p>Origin Energy</p> <p>Shopping Centre Council of Australia (SCCA)</p>	<p>General support: ACAT, CPAQ, ENM Solutions, EWON, EWOQ, and Origin Energy generally supported the EIC and record-keeping requirements. EWON noted it aligns with the Retail Law, Retail Rules and Retail Guideline.</p> <p>Written consent: EWOQ prefers EIC to be in writing but acknowledged verbal EIC as acceptable with sufficient evidence. ENM Solutions supported the option of digital signatures, and suggested electronic EIC including other means than only signature.</p> <p>100% EIC exception: Origin Energy was strongly opposed to removal of 100% EIC exception to individual exemption applications arguing the expedited process benefits customers. It recommended retention of the 100% EIC exception with added checks/verifications to protect the integrity of the process.</p> <p>Standardisation and factsheets: Origin Energy and EWOQ supported standardised information requirements. ENM Solutions suggested factsheets should allow room for exempt persons to add site specific information to the standard information. Origin Energy recommended either a separate factsheet or an additional section in the existing factsheet, stating which protections apply also to commercial customers.</p> <p>Record of customer consent: SCCA recommended that the requirement to keep records for 7 years is applied proactively, due to organisations having already discarded records in line with the previous 2-year requirement.</p> <p>Maintaining records: ENM Solutions queried whether exempt persons would be required to retain NMI record linked to premise meters where a new customer moves in, reverting off-market to within the network.</p>

Submissions to the draft Network Exemptions Guideline (version 7) – December 2022	
Stakeholder submissions	Key stakeholder responses
	<p>Consent for tenants: ENM Solutions considered the definition of “tenant” should include owners living within the site allowing them to receive information and having the option to consent as other tenants. It suggested including minimum level of occupancy in building so retrofit consent percentage reflects a majority of likely tenants to lease in that EN.</p> <p>Single customer EIC: Enel X acknowledged the consumer protection intent of retrofit application requirements, but argued that this would be onerous given they often only deal with a single large commercial/industrial customer behind the parent connection point.</p>
Disconnection protections for energy only customers	
<p>ACT Civil and Administrative Tribunal (ACAT) Caravan & Camping Industry Association NSW (CCIA), Manufactured housing Industry Association NSW (MHIA), Land Lease Living Industry Association NSW (LLLIA) Caravan Parks Association of Qld (CPAQ) Embedded Network Manager Solutions (ENM Solutions) Energy & Water Ombudsman NSW (EWON) Energy & Water Ombudsman Qld (EWOQ) Origin Energy</p>	<p>General support: ACAT, CCIA, MHIA, and LLLIA, CPAQ, ENM Solutions, EWON, EWOQ, and Origin Energy supported disconnection protections for customers in energy only contracts. ACAT, EWON and EWOQ noted they are consistent with protections provided to grid-connected customers under the NERR. CCIA, MHIA and LLLIA considered them consistent with obligations under the Residential (Land Lease) Communities (RLLC) Act 2013. CPAQ noted the protections reflect conditions 9-11 of the Retail Exempt Selling Guideline.</p> <p>Extreme weather information: ENM Solutions was concerned that it would be onerous for an exempt person to consult the DNSP regarding extreme weather conditions, and queried the timeframe for doing so. ENM Solutions considered the onus should be on the DNSP to publish this information.</p> <p>Jurisdictional regulations: SCCA and ENM Solutions requested AER to consider consistency with Victorian exempt network regulations.</p> <p>Requests from retailer: Energy Intelligence noted that on-market retailers may request an exempt person to disconnect an on-market customer where NERR requirements are satisfied. It suggested that exempt persons should only be able to perform these functions where both the NERR and Network Guideline conditions are satisfied.</p>
Additional amendments	
Meaning of owning, controlling, and operating	
<p>Caravan & Camping Industry Association NSW (CCIA), Manufactured housing Industry Association NSW (MHIA), Land Lease Living Industry Association NSW (LLLIA) Caravan Parks Association of Qld (CPAQ) Embedded Network Manager Solutions (ENM Solutions) Origin Energy</p>	<p>General support: CPAQ and Origin Energy supported our guidance approach on the interpretation of the meaning of owning, controlling and operating. CPAQ appreciated the flexibility of this approach in a quickly-changing business environment.</p> <p>Informative: CCIA, MHIA and LLLIA noted that the guidance does not define the terms strictly, but provided some information on the AER’s position.</p> <p>Further guidance: ENM Solutions supported further guidance to stakeholders on meaning of ‘owner’ ‘controller’ and ‘operator’</p>

Submissions to the draft Network Exemptions Guideline (version 7) – December 2022	
Stakeholder submissions	Key stakeholder responses
Eligible communities and counter-offer provisions	
<p>Caravan & Camping Industry Association NSW (CCIA), Manufactured housing Industry Association NSW (MHIA), Land Lease Living Industry Association NSW (LLLIA)</p> <p>Caravan Parks Association of Qld (CPAQ)</p> <p>Origin Energy</p>	<p>Dissent: The CCIA, MHIA, and LLLIA opposed removal of the ‘eligible communities’ and counter-offer provisions. They considered limited utilisation of the eligible communities and counter-offer provisions in activity class NR4 is due to customer reluctance to move on-market in NSW on account of the Residential Land Lease Community (RLLC) Act price control provisions, not due to a lack of interest. They submitted that the provisions benefit customers who do not utilise the service of an ENM and should at least be reworded. CCIA have made submissions to the NSW Department of Customer Service which, if adopted in amendments, could result in ENM services becoming more prevalent and therefore an increased need for the ‘eligible communities’ provisions.</p> <p>New business models: CPAQ was concerned that removing these provisions may impose additional cost burdens to new business models being investigated in Queensland. Further, they considered that future Queensland legislative amendments combined with removal of these provisions may disadvantage caravan and residential park residents.</p> <p>Support: Origin Energy supported the removal of these provisions.</p>
Removal of unnecessary conditions	
<p>Caravan & Camping Industry Association NSW (CCIA), Manufactured housing Industry Association NSW (MHIA), Land Lease Living Industry Association NSW (LLLIA)</p> <p>Caravan Parks Association of Qld (CPAQ)</p> <p>Embedded Network Manager Solutions (ENM Solutions)</p> <p>Energy & Water Ombudsman NSW (EWON)</p> <p>Energy & Water Ombudsman Qld (EWOQ)</p> <p>Energy Intelligence</p> <p>Shopping Centre Council of Australia (SCCA)</p>	<p>General support: CCIA, MHIA and LLLIA and Energy Intelligence generally supported the removal of conditions already covered by the NEL or NER.</p> <p>Meter installation and upgrades: CCIA, MHIA and LLLIA, CPAQ, Energy Intelligence, ENM Solutions and SCCA proposed that we reinstate the table from section 4.2 of the current Guideline (version 6) (pp. 46-47). This table clarifies who pays for a meter upgrade, depending on the situation. ENM Solutions questioned whether these same scenarios would apply to footnote 51, on meter upgrades required for a customer to access a market retail offer. SCCA considered that a change of the AER’s position may necessitate substantial capital upgrades.</p> <p>CPAQ submitted that the circumstances in which an exempt person is not required to cover meter upgrade costs should be clearly stipulated to clarify exempt person/customer obligations.</p> <p>EWON highlighted frequent complaints and confusion on who should bear network costs for upgrading parent meters / networks where aggregate solar export exceeds parent meter threshold set by licenced distributors.¹⁰³ It suggested providing information (e.g. fact sheets) on the need for metering / network upgrades, who pays, individual installation of solar PV systems at child connection points, and all other rights and responsibilities associated with solar PV systems.</p> <p>Energy Intelligence proposed reinstating Condition 4.2.2.2 (Competition in Metering), which states that where more than 50% of the metering installations are replaced, exempt networks must comply with chapter 7 of the NER.</p>

¹⁰³ EWON, [Insights 1 April 2020 - 30 June 2020 report](#), pp. 43-44.

Submissions to the draft Network Exemptions Guideline (version 7) – December 2022	
Stakeholder submissions	Key stakeholder responses
	Notice retention: ENM Solutions requested further clarity regarding how long notices must be retained by exempt persons due to Condition 2.3 (Meter accuracy testing, billing disputes, maintenance and operation).
Continuity of supply	
Proposed change	
<p>Caravan & Camping Industry Association NSW (CCIA), Manufactured housing Industry Association NSW (MHIA), Land Lease Living Industry Association NSW (LLLIA)</p> <p>Caravan Parks Association of Qld (CPAQ)</p> <p>Energy & Water Ombudsman Qld (EWOQ)</p> <p>Origin Energy</p>	<p>General support: CCIA, MHIA, and LLLIA, EWOQ, and Origin Energy provided general support for exempt persons to notify customers and the AER if they become aware of a likely risk of disconnection and advise what actions they will take to ensure continuity of supply for customers. Origin Energy noted the added protections would replicate those afforded to grid-connected customers, which are covered by the Retailer of Last Resort (RoLR) framework.</p> <p>Application to class ND3: CCIA, MHIA, and LLLIA considered the Guideline should reflect that Condition 21, which does not apply to exemption class D3, equally does not apply to exemption class ND3.</p> <p>AER resources: CPAQ recommended the AER provide additional support to embedded network operators, including a customer notification template, a factsheet which sets out the requirements, and a contact point within the AER to provide assistance including help in mitigating the disconnection risk.</p>
Other comments	
Industry education	
<p>Caravan & Camping Industry Association NSW (CCIA), Manufactured housing Industry Association NSW (MHIA), Land Lease Living Industry Association NSW (LLLIA)</p> <p>Energy & Water Ombudsman NSW (EWON)</p> <p>Energy & Water Ombudsman Qld (EWOQ)</p>	<p>Communications campaign: EWON and EWOQ recommended the AER conduct a communications campaign, including webinars and workshops, to inform entities of their new obligations under the Guidelines.</p> <p>Fact sheets: The CCIA, MHIA, and LLLIA, and EWOQ, recommended the AER develop fact sheets, akin to those for the Retail Guideline, to assist operators in understanding their obligations.</p>
Compliance	
<p>Energy & Water Ombudsman NSW (EWON)</p>	<p>Compliance check: EWON recommended a survey or audit of exempt entities, and the accuracy of the public register of network exemptions. EWON suggested we compare the register with ombudsman membership lists, and examine missing information on the register. EWON offered its support to achieve this.</p>

Submissions to the draft Network Exemptions Guideline (version 7) – December 2022	
Stakeholder submissions	Key stakeholder responses
Corrections	
<p>Caravan & Camping Industry Association NSW (CCIA), Manufactured housing Industry Association NSW (MHIA), Land Lease Living Industry Association NSW (LLLIA)</p> <p>Caravan Parks Association of Qld (CPAQ)</p> <p>Embedded Network Manager Solutions (ENM Solutions)</p> <p>Enel X</p>	<p>CCIA, MHIA and LLLIA suggested the following corrections:</p> <ul style="list-style-type: none"> In Appendix A-1 (page 32), footnote 33 is placed against exemption class ND2 rather than ND3. <p>CPAQ suggested the following corrections:</p> <ul style="list-style-type: none"> Page 32: This table includes reference 33 on exemption class ND2 which appears to be included in error (as this applies to exemption class ND3, not ND2). Page 55: Condition 3.4: the reference to ‘they’ at the end of line 1 is unclear – does this refer to the ENM or EENSP. <p>ENM Solutions suggested the following correction:</p> <ul style="list-style-type: none"> Footnote 80 – refers to 7.3.1(c) (which does not exist) but appears it should be 7.1.1(c) instead. <p>Enel X suggested the following correction:</p> <ul style="list-style-type: none"> Condition 2.4 On-market generating systems – this condition is excluded for class NRO2 (in Table 4 of Appendix A-1) when it appears it should apply given it relates to on-market generating systems.
Improvements	
<p>Australian Energy Market Operator (AEMO)</p> <p>Embedded Network Manager Solutions (ENM Solutions)</p> <p>Enel X</p>	<p>AEMO suggested the following improvements:</p> <ul style="list-style-type: none"> Section 7.1 Exemption conditions – inserting footnote reference 25 immediately after the text ‘persons supplying electricity’, to which it relates. Section 3 – Do you need a network exemption? – aligning numbering at the start of the section (1, 2, 3) with the graphics immediately below (or disassociate the two) to avoid confusion. Also including elements critical to the connection arrangement in the graphics. Definitions – changing definitions ‘off-market’ and ‘on-market’ used for generating systems to ones that are consistent with the NER to avoid potential confusion. Also, including definitions in the Glossary for the terms ‘third-person’ and ‘third party’ when used in particular contexts. Condition 2.4 On-market generating systems and class NRO2 – removing this section given ‘on-market’ generating systems cannot be exempt from requirements of NER Ch 5 and therefore they cannot connect to an exempt network. Also removing words ‘or performance standards’ relating to AEMO review of generating systems rated 5MW or more, as registering performance standards is not a deciding factor. <p>ENM Solutions suggested the following improvements:</p>

Submissions to the draft Network Exemptions Guideline (version 7) – December 2022	
Stakeholder submissions	Key stakeholder responses
	<ul style="list-style-type: none"> Definitions – including a definition for the term ‘shadow pricing’ in the Glossary. Offer matching – including a reference in condition 7.1 and 7.2 (Offer matching for large and small customers) that the comparison be based on an ‘energy only’ offer from a retailer. Pricing conditions – including an explicit obligation for the exempt person and customer to enter into a formal agreement for network charges, to help parties better understand the electricity supply arrangement (particularly the on-market scenario) to improve the customer experience. <p>Enel X suggested the following improvement:</p> <ul style="list-style-type: none"> Generating systems – rewording the AEMO review requirement for third-party generating systems that exceed 5MW at connection point to grid: ‘To be eligible to register for exemption classes NRO1 and NRO2, if the nameplate rating of the generating system is 5 MW or more and is being connected to the national grid you will need to confirm with AEMO that registration as the owner, controller or operator of the generating system is not required to ensure performance standards.’
Clarifications	
<p>Australian Energy Market Operator (AEMO) Embedded Network Manager Solutions (ENM Solutions) Energy Queensland – Ergon Energy & Energex Shopping Centre Council of Australia (SCCA)</p>	<p>AEMO suggested the following clarification:</p> <ul style="list-style-type: none"> Condition 1.7 Aggregation of meter readings – including the purpose of and situations where aggregation is or is not permitted and indicate that aggregation is separate from collection/management of meter readings for NEM settlement. <p>ENM Solutions proposed the following clarifications:</p> <ul style="list-style-type: none"> Generating systems – whether an exempt person seeking to transfer from class NDO1 or NRO1 to NRO2 must seek a further AEMO review of the third-party generating system to be connected to the exempt network. Layered embedded networks – address treatment of an embedded network layered within another embedded network, including access to retail competition and other relevant considerations. Metering options – clarifying condition 6.2.1.1(a) (Options for metering that would allow choice) would decrease likelihood of disagreement between customers and exempt persons. ENM Solutions recommended making this a general statement to the customer outlining that there are options to adjust metering to enable choice of retailer. <p>Energy Queensland suggested the following clarification:</p> <ul style="list-style-type: none"> Condition 5.2.1 (External network charges) – further direction on recovery of costs associated with extensions and extensions. <p>SCCA suggested the following clarification:</p>

Submissions to the draft Network Exemptions Guideline (version 7) – December 2022	
Stakeholder submissions	Key stakeholder responses
	<ul style="list-style-type: none"> Shadow pricing versus cost pass through – although ‘shadow pricing’ is referred to in condition 5.2.1, the preamble to condition 5.2 and Table 6 (page 57) both refer to ‘cost pass through’, which is an inequivalent concept.
Other suggestions	
Shopping Centre Council of Australia (SCCA)	Early termination terms: SCCA proposed that the condition 2.2 (Prohibitions on anti-competitive measures) be amended to exclude large customers, because they are capable of negotiating fixed term contracts and understand the nature and consequences of these agreements. SCCA also noted that not being able to do so would affect supply/load forecasts where large customers terminate early and therefore avoid paying the fixed costs for the full term which would also be inconsistent with existing NEM contracts with large customers.
General feedback	
Caravan Parks Association of Qld (CPAQ) Shopping Centre Council of Australia (SCCA)	Regulatory impact: CPAQ supported policy positions as they are not burdensome, financially or administratively. Jurisdictional regulation: SCCA supported alignment of the Guideline and jurisdictional regulatory frameworks.

Appendix B: Authorised retailer and exempt seller family violence obligations – a comparison

Section 114(1) of the Retail Law requires the AER to impose conditions on exempt sellers that mirror retailers' compliance obligations, to the extent possible. In considering which obligations should apply to exempt sellers we have considered the diversity of energy sellers that operate within our exemptions framework. For most of our exempt sellers, selling energy is not their core business and energy obligations must be managed alongside other non-energy obligations. Further, many exempt sellers are small-scale unsophisticated entities that may have limited resources in place to develop sufficient policies, processes and systems to manage more complex family violence obligations. While we have endeavoured to provide exempt customers as many of the family violence protections as feasible, a degree of divergence is unavoidable.

The table below sets out the family violence obligations that apply to authorised retailers under the National Energy Retail Rules, and our consideration of how they could be extended to exempt sellers via new Condition 27 (Assistance for customers affected by family violence) in the Retail Guideline.

Authorised retailer obligations	Proposed exempt seller obligations	AER comments
<p>76A – Family violence policy</p> <p>1) A retailer must:</p> <ul style="list-style-type: none"> (a) have a family violence policy that sets out how the retailer will identify and assist affected customers, including how the retailer will apply each of the affected customer protections in these Rules (b) publish its family violence policy on the retailer's website and ensure that its family violence policy is easily accessible on its website (c) implement, maintain and comply with its family violence policy (d) review and update its family violence policy from time to time as required to reflect changes in circumstances or maintain consistency with leading practice. 	<p>Condition 27(1), 27(2), 27(3), 27(4) – Family violence policy</p> <p>An exempt seller must develop, implement, maintain, and comply with, a plain English family violence policy for exempt customers, that contains at a minimum, the standardised statements provided in the AER's <i>Exempt seller family violence policy template</i> (template, published on the AER website and as in force from time to time.</p> <p>An exempt seller's family violence policy must:</p> <ul style="list-style-type: none"> • be implemented no later than 3 months from the exemption registration/approval date to which this condition applies. • include: <ul style="list-style-type: none"> ○ information about the impact of family violence, ○ processes for the early response by the exempt seller in the case of affected exempt 	<p>The proposed exempt seller condition is consistent with the authorised retailer obligations. However, to assist exempt sellers, we have produced the template that includes standardised statements and support services available to affected customers.</p> <p>The proposed condition is important in putting measures in place to protect affected customers. However, it does not require exempt sellers to proactively identify them. We consider requiring exempt sellers to implement processes and develop the necessary training for proactive identification would be difficult to achieve and costly for some exempt sellers.</p> <p>While an exempt seller is not required to publish its family violence policy (although this is encouraged) we have included information provision requirements that will ensure all new customers receive a copy, as well as those who request it during their residency/tenancy. This is in line with an exempt seller's information</p>

Authorised retailer obligations	Proposed exempt seller obligations	AER comments
	<p>customers identifying themselves as experiencing family violence,</p> <ul style="list-style-type: none"> ○ processes to keep the affected exempt customer’s energy-related information confidential, ○ assistance available to affected exempt customers experiencing payment difficulties due to family violence, and ○ referrals to appropriate family violence support services. <p>An exempt seller’s family violence policy must not include unreasonable conditions that an affected exempt customer, or their nominated representative, has to meet before being eligible for support, including requiring an affected exempt customer:</p> <ul style="list-style-type: none"> • provide evidence of family violence or police notification, as a precondition for accessing the protections and support set out in this condition and the exempt seller’s family violence policy, • be represented by a third party, • make a one-off payment or make a certain number of instalments towards their debt, or • pay their bills on time. <p>Condition 2(1)(k), 2(2) – Information provision</p> <p>An exempt seller must advise exempt customers, in writing, at the start of their tenancy/residency/ agreement the forms of assistance available if the exempt customer is affected by family violence, as well as the process the exempt customer should follow to seek the assistance. The exempt seller must inform an exempt customer of the availability of its family violence policy and offer to provide a hardcopy or electronic link to the policy in accordance with Condition 27.</p>	<p>provision requirements set out in Condition 2 (<i>Information Provision</i>) in the Retail Guideline.</p> <p>We do not propose to require exempt sellers to update their family violence policy from time to time. We will instead include any required revisions to the family violence policy template through our periodic guideline review processes.</p>

Authorised retailer obligations	Proposed exempt seller obligations	AER comments
	<p>The exempt seller must also provide the information set out in Condition 2(1)(k) as soon as practicable upon request by the exempt customer or the AER.</p>	
<p>76B – Ability of retailer staff to assist affected customers</p> <p>1) A retailer must ensure that the persons identified in subrule (2) are able, on an ongoing basis, to:</p> <ul style="list-style-type: none"> (a) understand the nature and consequences of family violence (b) identify and engage appropriately and effectively with affected customers; and (c) assist affected customers in accordance with this Part and the retailer's family violence policy. <p>2) For the purposes of subrule (1), the persons are any person with authority or capacity to act on the retailer's behalf (including employees, contractors and agents, including call centre and marketing personnel) who:</p> <ul style="list-style-type: none"> (a) may engage with affected customers by any means of communication; (b) is a manager of a person identified in subrule (2)(a); or (c) is responsible for systems and processes that guide interactions with small customers. 	<p>Condition 27(11) – Exempt seller staff to be aware of Family violence policy and obligations</p> <p>An exempt seller must ensure that any person acting on its behalf, who engages with its affected exempt customers:</p> <ul style="list-style-type: none"> • has reviewed the exempt seller's family violence policy, • acts in accordance with the obligations set out under Condition 27. 	<p>The proposed exempt seller condition diverges slightly from the authorised retailer obligations.</p> <p>Exempt sellers and their staff must be aware of, and understand, the proposed obligations of Condition 27, to be able to assist customers who self-identify as being affected by family violence. However, while retailers are required to implement ongoing and robust training programs to support their ability to comply with rule 76B,¹⁰⁴ this would be impractical for exempt sellers due to their often less complex operations and capacity.</p> <p>While we recognise that bespoke training modules would be beneficial, and have considered various models to develop and deliver this training to exempt sellers, we have not determined feasible options to suggest as part of this review. We are open to revisiting this in the future and, until such time, plan to publish factsheets and provide links to resources on our website to support exempt sellers in their understanding of the nature and consequences of family violence.</p>
<p>76C – Process to identify affected customers and avoid repeated disclosures</p> <p>1) A retailer must implement a secure process that:</p> <ul style="list-style-type: none"> (a) provides a method to readily assess if a small customer is an affected customer; 	<p>Condition 27(7) – Avoid repeated disclosures</p> <p>An exempt seller must implement a secure process that:</p> <ul style="list-style-type: none"> • provides a method for any person acting on its behalf to identify the account of an affected exempt 	<p>The proposed exempt seller condition is mostly consistent with the authorised retailer obligations.</p> <p>An exempt seller requirement to assess if a small customer is an affected customer may not be achievable without formal training. As such, we propose a condition which requires exempt sellers to</p>

¹⁰⁴ AER Interim guidance note: Family Violence Rule April 2023, p. 5.

Authorised retailer obligations	Proposed exempt seller obligations	AER comments
<p>(b) provides a method to readily identify the account of a small customer who has been identified as an affected customer</p> <p>(c) avoids the need for an affected customer to repeatedly disclose or refer to their experience of family violence; and</p> <p>(d) provides for effective ongoing engagement with an affected customer.</p>	<p>customer, with the affected exempt customer's permission,</p> <ul style="list-style-type: none"> avoids the need for an affected exempt customer to repeatedly disclose or refer to their experience of family violence, and records an affected exempt customer's preferred communication method (as per Condition 27(6)). <p>Condition 27(3) – Process for early response</p> <p>An exempt seller's family violence must include processes for the early response by the exempt seller in the case of affected exempt customers identifying themselves as experiencing family violence.</p>	<p>only include implementation of a process for their early response where affected customers self-identify as experiencing family violence.</p> <p>We acknowledge the importance of avoiding repeated disclosures, and the impact that this can have on an affected exempt customer's safety.</p>
<p>76D - Regard to safety and circumstances of affected customers</p> <p>1) A retailer must, in any dealing with an affected customer:</p> <p>(a) have regard firstly to the safety of the customer, as far as the customer's safety is impacted by them being an affected customer; and</p> <p>(b) take into account the particular circumstances of the affected customer.</p>	<p>Condition 27(4) – Prioritisation of safety</p> <p>An exempt seller must, in any dealing with an affected exempt customer, have regard firstly to their safety, and take into account their particular circumstances.</p>	<p>The proposed exempt seller condition is consistent with the authorised retailer obligations.</p>
<p>76E – Family violence as a likely cause of hardship or payment difficulties</p> <p>1) A retailer must recognise family violence as a likely cause of a residential customer being a hardship customer or a small customer experiencing payment difficulties.</p> <p>33(2) – Payment difficulties (summary)</p> <p>Authorised retailers are required to offer affected customers further payment plans, even if they:</p> <ul style="list-style-type: none"> have had two cancelled due to non-payment in the previous 12 months or 	<p>Condition 27(3)(a) – information about the impact of family violence</p> <p>An exempt seller's family violence policy must include information about the impact of family violence (the template contains standardised statements that acknowledge family violence is a likely cause of hardship, and that hardship assistance is available for residential customers).</p> <p>Condition 27(3)(d) – Payment difficulties</p> <p>An exempt seller's family violence policy must include assistance available to affected customers experiencing payment difficulties.</p>	<p>The proposed exempt seller condition diverges from the authorised retailer obligations.</p> <p>We do not propose to require the exempt seller to offer affected exempt customers additional payment plans beyond the existing obligations of Condition 12. We consider this a reasonable divergence to prevent financial burden on exempt sellers. We recognise that exempt sellers often operate on a smaller scale and may have limited financial capacity to carry energy debt (while bearing the energy costs for the site at the gate meter) which may put them at risk of failure.</p>

Authorised retailer obligations	Proposed exempt seller obligations	AER comments
<ul style="list-style-type: none"> have been convicted of an offence involving illegal energy use in the last two years where someone else may have been jointly or severally responsible for these actions. 		<p>Exempt sellers are free to extend the options for the support they provide to affected customers beyond these requirements, and we encourage them to do so.</p>
<p>76F – Assistance with debt management, fees and payment methods</p> <ol style="list-style-type: none"> Before taking action to recover arrears from an affected customer or transferring affected customer debt to a third-party debt collector, a retailer must take into account: <ol style="list-style-type: none"> the potential impact of debt recovery action at that time on the affected customer; and whether other persons are jointly or severally responsible for the energy usage that resulted in the accumulation of those arrears. Nothing in this Part prevents a retailer from waiving, suspending or repurchasing the debt of an affected customer. A retailer must waive any fee payable under a customer retail contract with an affected customer for late payment of a bill for customer retail services. Where an affected customer requests a retailer to permit payment using Centrepay as a payment option, rule 74 applies as if all references to hardship customer were references to affected customer. 	<p>Condition 27(9) – Assistance with debt management and fees</p> <p>An exempt seller must:</p> <ul style="list-style-type: none"> waive any late payment fees associated with the energy debt of an affected exempt customer, and take into account the potential impact of debt recovery action on an affected exempt customer, including whether other persons are jointly or severally responsible for the debt, before transferring affected exempt customer debt to a third-party debt collector. 	<p>The proposed exempt seller condition is consistent with the authorised retailer obligations, to the extent possible.</p> <p>Family violence can have long-term financial impacts on affected customers. Exempt sellers should be aware that financial abuse may have occurred which has contributed to the affected exempt customers' arrears. Exempt sellers should consider this and other options before commencing debt recovery action.</p> <p>Exempt sellers are not required to offer Centrepay as the complex Centrepay application requirements would be too onerous for many exempt sellers to administer.</p>
<p>76G – Affected customer information</p> <ol style="list-style-type: none"> A retailer must not, and must procure that all its contractors, subcontractors and agents do not, disclose or provide access to affected customer information to any other person without the consent of the affected customer. Subrule (1) does not prevent a retailer or its contractors, subcontractors or agents disclosing, or 	<p>Condition 27(3)(c) – Affected customer information</p> <p>An exempt seller's family violence policy must include processes to keep the affected exempt customer's energy account information confidential.</p> <p>Condition 27(8)(b) – Information disclosure</p> <p>An exempt seller must not disclose or provide access to affected exempt customer information, related to</p>	<p>The proposed exempt seller condition is consistent with the authorised retailer obligations.</p>

Authorised retailer obligations	Proposed exempt seller obligations	AER comments
<p>providing access to, affected customer information to the extent required by law or by a lawful requirement of any government or governmental body, authority or agency having jurisdiction over the retailer or its contractors, subcontractors or agents (as applicable).</p> <p>3) In this rule: <i>‘affected customer information’ refers to any information that may be used to identify, communicate with or locate an affected customer, including information about their whereabouts, contact details, or financial or personal circumstances.</i></p>	<p>their energy account, to any other person without the consent of the affected customer, unless required by law to provide the information.</p> <p>In this condition: <i>‘affected exempt customer information’ refers to any information that may be used to identify, communicate with or locate an affected exempt customer, including information about their whereabouts, contact details, or financial or personal circumstances.</i></p>	
<p>76H – Preferred method of communication</p> <p>1) A retailer must:</p> <ul style="list-style-type: none"> (a) take reasonable steps to identify the affected customer's preferred method of communication; and (b) offer alternative methods of communication if the affected customer's preferred method of communication identified in paragraph (a) is not practicable. <p>2) A retailer must use the method of communication identified in subrule (1) in communications with the affected customer and the affected customer may use that method of communication in communications with the customer's retailer.</p> <p>3) An affected customer's entitlement for communications to be in accordance with the method of communication identified pursuant to subrule (1) takes precedence over any other small customer entitlement or retailer requirement in these Rules to communicate in a particular way.</p> <p>4) A retailer must keep a record of the method of communication identified in subrule (1).</p>	<p>Condition 27(6) – Preferred method of communication</p> <p>An exempt seller must:</p> <ul style="list-style-type: none"> • take reasonable steps to identify the affected exempt customer's preferred method of communication, • offer alternative methods of communication if the affected exempt customer's preferred method of communication identified by the affected exempt customer is not practicable, • use the identified method in all communications with the affected exempt customer. 	<p>The proposed exempt seller condition is consistent with the authorised retailer obligations and is something that exempt sellers should have no difficulty complying with.</p> <p>This condition reinforces an affected exempt customer's safety, by avoiding inadvertent disclosure of their circumstances, and also mitigates the risk of further trauma.</p>

Authorised retailer obligations	Proposed exempt seller obligations	AER comments
<p>76I – Retailers not to require documentary evidence</p> <p>A retailer must not require an affected customer or a third party acting on behalf of an affected customer to provide any documentary evidence of family violence as a precondition to applying these Rules or the retailer's family violence policy.</p>	<p>Condition 27(8)(a) – Exempt seller not to require documentary evidence</p> <p>An exempt seller must not require an affected exempt customer to provide documentary evidence of family violence as a precondition to receiving assistance under these conditions.</p>	<p>The proposed exempt seller condition is consistent with the authorised retailer obligations and is a condition exempt sellers should have no difficulty complying with.</p>
<p>76J – Information on family violence support services</p> <ol style="list-style-type: none"> 1) A retailer must provide an affected customer with information about the availability of one or more external family violence support services at a time and in a manner that is safe, respectful and appropriate given the affected customer's circumstances. 2) A retailer must publish on its website and keep up to date a list of one or more external family violence support services 	<p>Condition 27(3)(e) – Information on family violence support services</p> <p>An exempt seller's family violence policy must include referrals to appropriate family violence support services.</p>	<p>The proposed exempt seller condition diverges slightly from the authorised retailer obligations.</p> <p>We recognise exempt sellers may not have the resources to identify external family violence support services. As such, we propose to assist exempt sellers by including support service website links in the template, that they can use as a starting point.</p> <p>We do not propose to require exempt sellers to be responsible for updating the list. The AER will include any required revisions to the template's list of external family violence support services through our periodic guideline review processes.</p>
<p>76K - No breach of contract for compliance with this Part</p> <ol style="list-style-type: none"> 1) If a retailer is unable to fulfil an obligation under a customer retail contract in complying with this Part, the retailer is not in breach of the contract. 2) If an affected customer is unable to fulfil an obligation under their customer retail contract in using their preferred method of communication with the retailer in accordance with rule 76H(2), the customer is not in breach of the contract. <p>76L - Consistency of market retail contract with family violence policy</p> <ol style="list-style-type: none"> 1) The terms and conditions of a market retail contract with an affected customer have no 	<p>Condition 27(12) – Customer contract terms and conditions</p> <p>An exempt seller must ensure that the terms and conditions of an exempt customer's energy supply agreement are consistent with the obligations of the family violence condition.</p>	<p>The proposed exempt seller condition diverges slightly from the authorised retailer obligations.</p> <p>Retail Rules 76K-L were introduced to reduce concerns about inadvertent breaches of existing market and standard retail contracts until such time that future retail contracts are consistent with the family violence provisions.¹⁰⁵</p> <p>The requirement to comply with family violence conditions imposed on exempt sellers takes precedence over the terms and conditions of an exempt customer energy agreement (if any inconsistency exists).</p> <p>For completeness, we have added a condition that requires an exempt seller to ensure that any exempt</p>

¹⁰⁵ Protecting customers affected by family violence, AEMC Final determination, p. 32.

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<p>effect to the extent of any inconsistency with the application of the retailer's family violence policy to that customer.</p> <p>2) The retailer must ensure that the customer may continue to be provided with customer retail services under a customer retail contract in accordance with these Rules.</p>		<p>customer energy supply agreement be consistent with the requirements of the family violence condition.</p>
<p>111(2A) – De-energisation for not paying a bill</p> <p>An energy retailer must not arrange for the de-energisation of an affected customer's premises unless the energy retailer has taken into account:</p> <ul style="list-style-type: none"> a) the potential impact of de-energisation on the affected customer at that time, and b) whether other persons are jointly or severally responsible for the relevant nonpayment or action 	<p>Condition 27(10) – De-energisation of an affected customer</p> <p>Subject to Condition 9 (<i>Payment difficulties and disconnection or de-energisation</i>) and Condition 10 (<i>When disconnection or de-energisation is prohibited</i>), an exempt seller must not disconnect an affected exempt customer if:</p> <ul style="list-style-type: none"> • the de-energisation will impact the affected exempt customer's safety • other persons are jointly or severally responsible for the relevant non-payment, or • the non-payment is a result of financial abuse. 	<p>The proposed exempt seller condition is consistent with the authorised retailer obligations.</p> <p>However, whereas Retail Rule 111(2A) allows a retailer to design systems and processes to meet the broad obligation, we understand this is likely to be unachievable for many exempt sellers for the reasons we have discussed above.</p> <p>To support exempt sellers in understanding their de-energisation obligations, we have listed the circumstances when an exempt seller must not disconnect a customer. This will assist the exempt seller to avoid inadvertent non-compliance due to confusion or misinformation.</p>