

28 April 2025

Stephanie Jolly
Executive General Manager, Policy
Australian Energy Regulator
GPO Box 3130
Canberra ACT 2601

By email: AERexemptions@aer.gov.au

Dear Ms Jolly

Review of AER exemptions framework for embedded networks – Draft Decision

Energy Locals Pty Ltd (ACN 606 408 879) and its related entity, Energy Trade Pty Ltd (ACN 165 688 568) (collectively **Energy Locals**) welcomes the opportunity to provide a submission to the Australian Energy Regulator (**AER**) in relation to the AER draft decision on the Review of the AER exemptions framework for embedded networks (**Draft Decision**).

Energy Locals put forward a submission to the Issues Paper last year. In this submission, we acknowledged that, following the rapid growth of the embedded network (**EN**) industry, the current regulatory framework for ENs would benefit from review and we recognised that consumer protections could be enhanced. However, we stressed that the continued growth of ENs should be supported rather than restricted.

We are appreciative that our feedback has been considered, and that the AER has recognised the extensive benefits of ENs. We are generally supportive of the direction of the Draft Decision and welcome many of the proposed changes. In particular, we are supportive of the AER's decision not to restrict the development of residential ENs.

In our submission below, we have outlined our views on the proposed changes, and identified aspects where we believe further clarification or refinement would improve implementation outcomes.

1. Overview of Energy Locals

Energy Locals specialises in energy procurement and management, energy generation and the provision of energy efficient technologies for residential, commercial, and industrial projects. We have extensive expertise in the management and implementation of ENs, which include electricity, gas, hot water, solar PV, electric vehicle charging, battery storage and telecommunications.

Energy Trade Pty Ltd procures, installs, and operates embedded networks for a variety of clients, including many owners of hi-rise apartment and mixed-use dwellings. While Energy Trade Pty Ltd applies for the NR2 network exemption for all of the sites it supports, it does not apply for retail exemptions. Instead, it appoints Energy Locals Pty Ltd as authorised retailer for each of its sites to ensure that customers living in our ENs enjoy the same protections as our on-market customers. Additionally, we utilise all of the same well-established internal controls and reporting systems.

2. Feedback on Network Exemption Guideline

a) Decision to keep NR2

We are pleased that the AER in its Draft Decision does not propose to restrict the development of residential ENs and has decided not to close the NR2 exemption. As flagged in our previous submission, the continued growth in ENs should be encouraged given the significant benefits they offer, particularly in driving innovation and enabling renewable energy integration.¹

b) Closure of deemed network exemption classes

As noted in our previous submission, Energy Locals does not hold any ND2 deemed network class exemptions and we are, therefore, not in a position to provide significant comment on the proposal to close the deemed network exemption classes for future residential and small business ENs.

c) New reporting condition

Energy Locals recognises the need for reporting to enable the AER to better monitor EN exemptions. We are supportive of the introduction of a reporting requirement (condition 1.18) which will require an exempt network service provider to report residential customer numbers annually.

However, so that we can appropriately plan and ensure our systems support this, we would welcome further clarity on the format of reporting. We urge the AER to consider the administrative burden of reporting and to keep reporting parameters limited.

It is also worth noting that, as an authorised retailer, Energy Locals already reports customer numbers under our retailer performance reporting, so this could be a potential duplication of effort. We encourage the AER to explore a separate reporting format for authorised retailers who have customers under a network exemption.

We also urge the AER to publish the customer numbers reported, and to consider including these in the AER's Annual Retail Market Report.

d) Requirement to update contact details

We see no issue with the proposed requirement (condition 1.19). for an exempt network service provider to notify the AER of changes to the contact details of their authorised representative within 20 business days.

We request clarification on whether notification via email will suffice. If not, we recommend the AER consider a bulk update mechanism rather than requiring amendments to each individual exemption on the exemptions portal.

¹ Energy Locals submission to the AER on the review of the AER exemptions framework for embedded networks – 19 February 2024.

e) Exemption cancellation

We acknowledge there needs to be transparency on the process for the revocation of exemptions. We are supportive of these changes.

f) Improvements from 2022 review

We understand the AER intends to maintain the amendments first proposed in the 2022 draft Network Guideline. While we appreciate the provision of a marked-up draft for this consultation, we note it would have been helpful for the current version to also include mark-up to assist with the comparison. However, we have closely reviewed the updated draft guideline and have no significant concerns.

i. Primary registrant model

We support the implementation of a primary registrant model.

ii. Payment plans and disconnection protections

We support the introduction of new protections for 'energy only' EN customers experiencing payment difficulties (Condition 1.14), including the requirement to offer payment plans and follow established disconnection processes for the supply component of the bill. These are practices we already follow.

We also support the protections set out in Condition 1.15.

iii. Continuity of supply

We have no issues with condition 1.17 to ensure continuity of supply.

3. Feedback on Retail Exemption Guideline

As highlighted in our previous submission, Energy Locals' position is that all EN sellers should be required to be authorised under the National Energy Retail Law to ensure that customers receive protections equivalent to those available to on-market customers.²

As we are not registered as an exempt seller we do not have a strong opinion on the proposed changes to the Retail Guidelines. However, we do welcome the AER's increased focus on consumer protections and strongly support efforts to align the rights of EN customers with those of on-market customers.

In this regard, we note that the AER has compared the differences in retail consumer protections between customer types in a table set out on page 19 of the Draft Decision. In particular, we note the "no protection"³ status for authorised retailer customers in ENs for protections such as:

- obligation to supply under a standing offer; and
- continuity of supply.

² Ibid.

³ AER, Review of the AER exemptions framework for embedded networks – Draft decision, p.19

The AER has also listed the instruments that require change in order to meet these consumer protection gaps⁴. Given much of this requires amendments to National Energy Retail Law, we would like to understand the AER's next steps, particularly in connection with the Default Market Offer, and whether it intends to progress rule changes with the AEMC or the ACCC.

In summary, Energy Locals is supportive of the proposed direction in the Draft Decision. Given the benefits of ENs, the continued growth of ENs should be supported with appropriate regulatory oversight.

We would like to take this opportunity to thank AER for considering our previous feedback and for the opportunity to provide this submission.

We also acknowledge that the EN space can be complex so we are very happy to discuss with the AER any aspect to ensure that the AER has a complete understanding of the industry.

Yours sincerely,

Adrian Merrick

Chief Executive Officer

Energy Locals Pty Ltd

⁴ Ibid, p.30.