NSW Small Business Energy Submission to AER: Extending NUoS Billing to Embedded Network Tenants

Our response to:

Review of the AER exemptions framework for embedded networks

Draft decision

Commencement date

17 March 2025

Link : https://www.aer.gov.au/documents/aer-embedded-networks-review-notice-draft-decision-march-2025

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Introduction

Embedded networks provide electricity to multiple premises under a parent connection point, offering a unique operational model. However, embedded network tenants—both residential and SMB customers—face significant obstacles in accessing competitive retail energy offers due to current billing structures.

Rather than continuing the energy-only offer framework, a network billing process that includes embedded network tenants is a more effective, transparent, and scalable solution. This submission outlines the rationale for NUoS billing integration, its benefits, and the necessary regulatory adjustments.

1. The Problem with Energy-Only Offers

Why It's a Barrier

- **Confusing for Retailers: Retailers struggle to price embedded network customers due to complex billing structures and risk exposure.**
- **Market Hesitation: Due to uncertainty, few retailers offer energy-only pricing, limiting consumer choice.**
- **Fails to Address Core Issues: Energy-only offers do not resolve tariff allocation problems within embedded networks.**

Proposed Solution

Instead of continuing energy-only offers, the AER should extend the standard NUoS billing process to embedded network tenants, aligning pricing mechanisms between grid-connected and embedded network customers.

2. Aligning NUoS Billing for Embedded Network Tenants

Key Benefits

1. **Opens Up Retail Market to More Competition**
    - **Simplifies pricing models, making embedded network customers easier to serve.**
    - **Encourages retailers to enter the market, increasing consumer choice.**
2. **Cost-Effective Implementation**
    - **Minimal platform changes required for retailers to accommodate embedded network tenants.**
    - **Lower operational risk, making embedded network customers attractive to retailers.**

3. **Improves Network Tariff Transparency**

- **Forces embedded network operators to better understand and apply network tariffs correctly for tenants.**
- **Eliminates inconsistent tariff allocations, improving market efficiency.**

3. Financial Considerations for Embedded Networks

Metering Cost Misconceptions

- **Embedded networks often receive financial incentives (kickbacks) from metering providers.**
- **These incentives reduce costs, contradicting claims that metering creates financial barriers.**

Regulatory Opportunity

Instead of focusing on metering requirements, the AER should prioritize NUoS billing adjustments to eliminate structural pricing limitations for retailers.

4. Implementation Strategy

Regulatory Adjustments Needed

- **Modify NUoS Billing Rules: Require embedded network tenants to be included in standard NUoS processes to enable retail competition.**
- **Improve Market Transparency: Establish clear tariff allocation requirements, preventing embedded network operators from misapplying network charges.**

Expected Industry Impact

- **Retailers: Increased participation, simplified risk management, and lower costs of servicing embedded network customers.**
- **Consumers: More competitive retail pricing and greater market choice.**
- **Embedded Network Operators: Greater accountability in tariff allocation, ensuring fairer billing practices.**

Conclusion

The continuation of energy-only offers introduces unnecessary confusion and risk for retailers, discouraging market participation. The preferred solution is to extend NUoS billing to embedded network tenants, a simple, cost-effective adjustment that:

1. **Removes pricing barriers and fosters retail competition.**

2. **Requires minimal system changes, making it easy to implement.**

3. **Forces greater transparency in tariff allocation among embedded network operators.**

This submission urges the AER to replace energy-only offers with NUoS billing integration, ensuring a fair, competitive, and transparent market for embedded network customers.