

24 April 2025

Australian Energy Regulator

GPO Box 520

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By email: aercompliance@aer.gov.au

Dear AER Team,

Response to AER's guidelines for embedded networks 17 March 2025

Thank you for the opportunity to provide feedback on the draft concerning embedded networks. We acknowledge the AER's continued efforts to enhance protections for customers within embedded networks and support the broader objectives of transparency, consumer choice, and regulatory clarity.

We offer the following comments for consideration:

1. Support for Enhanced Consumer Protections

We strongly support the AER's intent to strengthen consumer protections for residents within embedded networks. In particular, we welcome initiatives aimed at improving:

- billing transparency
- clear consent processes
- access to dispute resolution services
- family violence protections

These measures are essential in aligning embedded networks with the broader National Energy Customer Framework (NECF).

It is our understanding that reputable Embedded Network Managers and Authorised Retailers currently operate in full compliance with NECF requirements. This adherence not only ensures legal and regulatory conformity but also upholds the rights and protections afforded to energy customers under the framework.

We believe this standard of compliance is essential for maintaining trust, transparency, and fairness within embedded networks, and we fully support continued oversight and guidance from the AER to ensure all industry participants meet these obligations.

2. Reducing End-User Arrears within Embedded Networks

Managing end-user arrears is a major operational and financial risk for ENOs. Unlike large energy retailers, ENOs often operate on thin margins and cannot easily absorb high levels of bad debt. We suggest that the guidelines consider measures to help ENOs:

- **Strengthen Prepayment Options:** ENOs should be explicitly permitted (and encouraged) to offer prepayment meters or flexible payment plans at onboarding to mitigate arrears risk.

- **Encourage Security Deposits:** The guidelines could allow ENOs to collect reasonable security deposits from customers with no or poor credit history, similar to provisions for licensed retailers under the National Energy Retail Law (NERL).
- **Support Clear Debt Recovery Processes:** Standard templates or model terms for debt collection notices and disconnection warnings would assist ENOs in complying with hardship and disconnection obligations without excessive administrative burden.
- **Early Intervention Framework:** Operators should be encouraged to have a structured process for early identification of payment difficulties and referral to hardship supports, similar to expectations of traditional retailers

3. Clarifying Consent Requirements

The proposed requirements around obtaining **explicit informed consent (EIC)** are a necessary step forward. However, we believe additional clarification is needed on:

- The standard for what constitutes valid EIC at the point of network transition (particularly for legacy networks).
- The acceptable methods for documenting and verifying EIC.
- The obligation on embedded network operators to re-obtain consent when ownership or management changes occur.

We recommend the AER consider further guidance or templates for industry participants to ensure a consistent and fair approach.

4. Greenfield Site Agreements and Strata Handover

We urge the AER to examine the **terms of agreements between embedded network operators and property developers for greenfield sites**, particularly where these sites are intended to transition into strata schemes. Current practices often leave Owners Corporations and Bodies Corporate with little visibility or recourse over long-term utility supply arrangements established prior to handover.

Specifically, we recommend that the AER:

- Require **valid and clearly defined termination clauses** in developer-operator agreements to ensure Owners Corporations and Bodies Corporate have a pathway to exit or renegotiate embedded network contracts where appropriate.
- Mandate the **disclosure of all rates and charges** offered to end users, including the full tariff structure.
- Require that **copies of the end-user agreement** be provided to each resident at or before the point of sale or lease, including clear identification of the energy provider, pricing details, and dispute resolution pathways.

This would ensure future residents and strata schemes are not bound by agreements they had no role in negotiating, and would align with broader principles of informed consent, consumer fairness, transparency and power of choice.

5. Concerns Regarding Deemed Exemption Classes

The proposal to close the ND1 and ND2 exemption classes, thereby requiring all new embedded networks to register an exemption, raises concerns about potential administrative burdens. We suggest a phased implementation approach to allow existing operators adequate time to comply with the new requirements.

Recommendations for Implementation

To facilitate a smooth transition, we recommend:

- **Clear Guidance:** Providing detailed instructions and support materials to assist stakeholders in understanding and complying with the new guidelines.
- **Stakeholder Engagement:** Hosting informational sessions or workshops to address questions and gather feedback during the implementation phase.
- **Monitoring and Evaluation:** Establishing mechanisms to assess the impact of the new guidelines and make necessary adjustments based on stakeholder experiences.

6. Ensuring Feasible Compliance for Existing Operators

While we support increased oversight, we encourage the AER to provide a reasonable transition period for existing embedded network operators to achieve full compliance. Many operators have legacy systems that may require time and investment to upgrade in line with new standards.

Additionally, clear transitional arrangements will help avoid unintended consequences, such as service disruption or administrative burdens that could ultimately impact residents.

7. Retail Competition and Access to Market Offers

We support the AER's goal of facilitating greater access to retail competition for embedded network customers. However, the practical implementation of this should consider network-level constraints and the commercial viability of third-party retailer participation.

We recommend collaborative industry working groups to help shape realistic frameworks that balance customer access with operational feasibility.

8. Clearer Management of Occupier Accounts

Occupier accounts present a real operational challenge when premises are occupied, but no formal account has been established. This can result in unpaid consumption and disputes about liability.

We recommend the AER consider guidelines that:

- **Enable Default Customer Registration:** Where a resident uses electricity but has not formally entered into a contract, ENOs should be allowed to register them as a 'deemed customer' under clear rules (similar to how standard retail contracts operate in the broader NEM).
- **Allow for Interim Billing:** ENOs should be permitted to issue interim bills to Occupiers based on estimated consumption until a formal account is established.

- **Clarify Disconnection Rights:** Guidance should confirm under what circumstances an ENO may disconnect supply to a premises where no customer has entered into a contract after reasonable notice and engagement efforts.

9. Data Transparency and Reporting

Improved reporting obligations and performance metrics will benefit all stakeholders. We ask that the AER engage with embedded network service providers to ensure reporting requirements are proportionate and aligned with existing data systems.

We appreciate the opportunity to contribute to this important discussion. We look forward to continuing engagement with the AER to support the effective implementation of these reforms and ensure positive outcomes for consumers and operators alike.

Please do not hesitate to reach out if further clarification or engagement would be helpful.

Yours sincerely,

On behalf of Silver Asset Services Pty Ltd



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