



Ms Stephanie Jolly
Acting Executive General Manager, Consumers, Policy & Markets
Australian Energy Regulator
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Submission to the Review of the AER exemptions framework for embedded networks Draft Decision

17 April 2025

Dear Ms Jolly,

The Energy Project Pty Ltd is an independent energy advisory firm supporting clients with Embedded Networks. We focus on compliance and procurement of third-party suppliers – we are not service providers or equipment suppliers and operate on the basis that our clients' long-term best interests will be served by focusing on the long-term interests of their tenants and residents.

We have an increasing number of clients that are operators of Residential Land Lease Communities (aka Manufactured Home Parks) and this submission is restricted to operational matters related to these communities.

As a general statement, the Review does not appear to acknowledge that DNSPs often refuse a direct connection for residents of a Land Lease Community (Exemption Class R4 and NR4). This was raised in the submission by the Caravan and Camping Industry Association¹ (February 2024) and we agree that this is leading to more Embedded Networks being created than Operators would like – it is extremely rare for Embedded Networks to be developed for these communities based on a profit motive (and the same applies to Retirement Villages).

This submission seeks clarification on a number of issues faced by our clients.

- a. When DNSPs have allowed a 'direct connection' for residents, there will still be some privately owned wiring and other electrical infrastructure between the customer. The

¹ <https://www.aer.gov.au/industry/registers/resources/reviews/review-aer-exemptions-framework-embedded-networks>



Guidelines are ambiguous as to whether there is an obligation to register these as 'exempt networks'.

- b. The proposed Price Notification requirements are likely to be unworkable in QLD due to the pricing approach required by the *Manufactured Homes (Residential Parks) Act 2003*
- c. Similarly, the Pricing Visibility changes proposed are also likely to be unworkable in the QLD context.
- d. The definition of "short-term" for customers of ND3/NR3 exemptions needs to be consistent with the definition used for NR4

These are discussed further below.

A. Underground infrastructure as a "connection asset" not an "exempt network"?

Since July 2023, we have been seeking confirmation from the AER that arrangements where there is no 'embedded network' per se (i.e. all residents have a direct relationship with a retailer of their choice) but where electricity physically flows through the landlord's assets (i.e. cables, pillars and switchboards) DO NOT need to register as an embedded network for the purposes of meeting safety obligations such as for Life Support Equipment customers.

This electrical architecture is an option for clients pursuing greenfields developments with some DNSPs (and historically was the case more broadly, so it is prevalent in older assets in our clients' portfolios). We encourage clients to follow this path where possible.

The feedback to date from AER staff was that this would be considered during the development of the DRAFT v7 of the Network Guidelines. Having reviewed the draft update, we have not been able to identify any new information that clarifies this. We have subsequently met with AER staff, and this submission follows up on that meeting.

We note that Activity class NDO8 "*Wiring in buildings with multiple tenants/residents that connect those customers directly to a DNSP*" has been added to Draft Version 7 of the Network Guidelines. Appendix A-1 Table 2 then sets out the applicable conditions (only 3. "*Safety and Emergency Requirements*" and 9. "*Revocation or amendment of an exemption*"). Conditions 10 and 11 regarding "Life Support Customers" as well as 13 "Ombudsman membership" are explicitly marked as "n/a".

In our view, the clarity of NDO8 would greatly assist our clients. We recommend the AER consider refining the definition of NDO8 to include underground wiring as well as "wiring in buildings" or

create another deemed exemption class that would cater for these 'on market' customers whose supply must transit some private infrastructure.

B. Price notifications in 'cost recovery only' arrangements.

The QLD *Manufactured Homes (Residential Parks) Act 2003*² **Section 99A Separate charge by park owner not to be more than cost of supply for the use of utility** states that the amount charged for a utility must not be more than that charged by the "relevant supply entity". The Act explicitly prohibits charging for meter reading and, for example, the administration of concessions. Our clients interpret this as being very similar to the "Reckless" method that was applied in NSW until recently, and is met by dividing total gate meter costs by the volume of electricity consumed to determine an average price that is then applied to each resident's metered consumption.

This cost-recovery-only approach results in a price change each month (due to variations in network demand charges, differing proportions of fixed vs variable charges each month, as well as seasonal pricing by some networks).

Proposed changes to the draft guidelines (Selling Condition 7, Network Condition 5.2) have added the requirement that an exempt seller must;

"... 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."

Further, changes related to pricing visibility are proposed:

"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."

This requirement is likely to be unworkable for some of our clients. For example, we have one client with over 80 embedded networks and most of these have bespoke pricing arrangements (location, amperage discounts, site specific solar information etc). If the intent is to have all of these pricing

² [Manufactured Homes \(Residential Parks\) Act 2003 \(legislation.qld.gov.au\)](https://legislation.qld.gov.au/)

options available from a single website (only some sites have their own website) then the administrative effort versus benefit to consumers would be very hard to justify.

An alternative to these requirements could be an inclusion in the Information Provision condition for an exempt seller (R4) to state that their pricing is in line with legislative requirement (*Manufactured Homes (Residential Parks) Act 2003*) or under the DMO/regulated tariff, the lesser of the two. For NSW, an R4 Information Provision inclusion could reference the IPART's Price Determination.

A further alternative is to defer all information regarding pricing for R4 exemptions to the requirements of the related tenancy legislation.

C. Definition of 'short-term' in the context of a D3, ND3 exemption

We have a number of clients with assets that operate under an ND3 and/or D3 exemption (Persons supplying/selling metered energy to occupants of accommodation on a short-term basis). The AER has clarified that 'short-term' is "*considered to be 3 months or less.*"

In our view, the 3-month limit on 'short term' leaves a gap to the definition of the R4/NR4 exemption categories "*Persons selling metered energy in caravan parks, residential parks and manufactured home estates (also known as residential land lease communities) to residents who principally reside there*" which is taken to mean residents spending at least 6-months of the year at the premises. The appropriate exemption class for occupants of accommodation between 3 and 6 months is therefore unclear.

We can be available to discuss any of these matters as required.

Sincerely,

A black rectangular box redacting the signature of Dr Andrew Nance. A blue ink scribble is visible to the right of the box.

Dr Andrew Nance
Director
The Energy Project Pty Ltd