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Submission:

AER Retailer Authorisation and Exemption Review – Issues Paper

May 23, 2022

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23rd May, 2022

To: Mark Feather
General Manager, Strategic Energy Policy and Energy Systems Innovation
Australian Energy Regulator
GPO Box 3131
Canberra ACT 2601

Re: Active Utilities Pty Ltd. (Active) Submission on the AER Retailer Authorisation and Exemption Review – issues paper.

Thank you for the opportunity to comment on the AER Retailer Authorisation and Exemption Review, in particular the Issues Paper that was released with the intent to begin formal stakeholder consultation into the review.

Active provides a broad range of centralised energy solutions to a range of commercial, industrial, retail, and residential customers. A key original component of our business is the operations of electrical embedded networks.

Active operates nationally but the majority of our clients are located on the east coast of Australia. Our embedded network solutions is comprised of consulting to Property Developers, Strata Managers, and owners/managers of buildings, regarding the setup and ongoing operation and management of embedded networks.

As part of this service, we offer a billing agency service and act as the AEMO Accredited Embedded Network Manager (ENM) for these customers, ensuring their end customers receive a similar service offering to gird connected network conditions and meet relevant legislative requirements of operating these networks.

Active understand this review stems from the Energy Security Board's (ESB) final advice to energy ministers in July 20211 as part of its Post-2025 Market Design project. We also understand that the aspects of the review are a continuation of the AEMC review into updating the regulatory frameworks for embedded networks, which was not successfully agreed to by the relevant energy ministers and has not been able to be implemented.

As stated on pg. 31 of the Issues Paper, the review is in part a response to ongoing concerns that embedded networks pose potential harms to consumers given the way they are set up. The primary concerns are that customers living in embedded networks may pay higher prices and do not have access to the same level of retail choice, customer protections as those who live outside of embedded networks.

Active notes that the additional consumer harm concerns cover supply, life support and payment assistance and that these would only be present in non-compliant networks (to both Federal & State based requirements) and fully supports the removal of these operators from the role.

Active strongly support the:

- mp ementation of a review into the exemption frameworks for embedded networks and the regu atory strictures that govern them.
- dentification of issues with embedded networks and the need to improve customer protections and outcomes for customers iving in them;
- The introduction of metering requirements that fu y support retai choice, and
- Regu atory frameworks that:
  - P ace benefits to the bui ding and the end consumer at the centre.
  - Prioritise equitab e pricing outcomes and consumer protections.
  - uture-proof the design of the system.
  - Ensure that regu atory framework wi enhance the nationa standards and be taken up at state eve .

As we advised in our submission to the AEMC review in 2019, the Victorian Government review in 2021, and the pending NSW Review in 2022, Active believes that there is considerable scope to improve the operations of some embedded networks to enhance the consumer protections, but our concern is that the nature of these reviews seem to result in recommendations penalising all networks for the inappropriate behaviours of a few.

Active agree with the sentiment of implementing increased restrictions on residential embedded networks, but further adds that this should focus on traditional embedded networks in their current state. Active's position is further elaborated in our submission below, particularly in our proposed alternative methodology.

Active understands the core reason for the review is due to some embedded networks and embedded network operators currently still 'cutting corners' by installing sub-standard meters, having financial beneficial arrangements with developers but not passing on financial benefits to the Owner's Corporation or resident/s whilst still charging electricity rates at the maximum price cap in alignment to the DMO/VDO.

Active can picture the desired outcomes of the exemption review and therefore assure the AER that we, as an operator that is focussed on the delivery of the substantial benefits of embedded networks to the buildings that have them, will assist in considering all the issues and concerns that are presented in the issues paper, as well as provide any relevant, non-identifying data that may be relevant.

Active are keen to contribute to the review as we believe that the potential consequences of the regulatory changes, not yet considered, may include people's livelihoods, closure of small businesses, and major disruption of the embedded network sector as well as other associated industries, including electrical infrastructure, the building and construction industry and the end consumer being negatively impacted financially as explained in the body of this submission.

Active also proposes an alternative approach that reforms the embedded networks framework, ensuring, that the desired outcome minimising harm whilst preparing for a new energy future.

This submission by Active further explores:

- An a ternative option that fits within the scope of the review.
- urther e aborates on the negative impacts it wi have, inc uding but not imited to:
  - customers
  - peop e's ive ihoods / c osure of sma businesses
  - major disruptions to a variety of associated industries
- Concerns that regu atory changes wi inadvertent y create barriers to residentia embedded networks or techno ogies that de iver benefits to customers, and

Active look forward to continually working closely with the AER in relation to the Retailer Authorisation and Exemption Review.

If you require any further information in relation to this submission, please do not hesitate to contact me.

Kind Regards,

Andrew McMeekin
General Manager
Active Utilities Pty Ltd

SECTION 5.2 EMBEDDED NETWORKS

"The regulation of embedded networks, and the risks and harms that consumers located in embedded networks may face, is consistently raised in the energy sector as an issue of concern."

Active is concerned at the tenor of the conversation that results from an opening statement that Active would consider to be a broad generalisation and not necessarily reflective of the actual position in the broader marketplace. As a case in point, we refer to the results of the recent Victorian review to which a negligible number of customers in embedded networks responded and also to the annual reports of the Ombudsman in Victoria and NSW, which show that complaints from customers in embedded networks rate at a much lower percentage in real terms than do complaints for Authorised Retailers.

As stated in the letter above, Active are completely aware of, and in agreement with, the focus of the review. However, Active believe an alternative methodology will assist all parties with the requirements and desired outcome of this review.

The first step, as detailed in Active's alternative methodology below, is to differentiate between a 'traditional' embedded network in its current status and embedded networks after the proposed reforms are implemented.

Active believe the differentiation between these two states of embedded networks will be critical to the success of regulatory changes for 'traditional' embedded networks in new residential buildings.

Active believes the embedded network framework should be elevated to the proposed 2019 AEMC embedded network regulatory framework or similar implemented Victorian embedded network frameworks that elevate embedded networks to the same regulatory framework as retailers under the Victorian Energy Retail Code of Practice.

Therefore, Active proposes the traditional model of embedded networks, being embedded networks that operate under the current regulatory arrangements in from the AER and in Victoria, be considered non-compliant going forward, as Active feel these are no longer fit for purpose.

ALTERNATIVE METHODOLOGY

Active proposes the updated regulatory framework ensures that the ***traditional*** model of embedded networks being embedded networks that operate under the current regulatory arrangements in the NECF and in Victoria are no longer able to be built and that new entrants meet a different structural standard.

Active feel these traditional networks are no longer fit for purpose due to the following potential embedded network harms outlined in Box 2:

- Lack or retai competition
- Some customers not being ab e to access competitive on-market prices and potentia y paying more than they shou d.
- Potentia supp y issues
- Potentia fai ure to provide hardship assistance
- Life support registration.

In addition to these points, Active also considers that there are other matters that need to be attended to in order to ensure that the operators of these networks fulfil their responsibilities.

- nsufficient monitoring and enforcement powers, and
- Lower grade meter mode s resu ting in inabi ity to access sustainabi ity data and future proof embedded network sectors.
- Operator Contract Length

Active's proposed alternative methodology is for the AER to adopt the AEMC's proposed updated regulatory frameworks for embedded networks or, alternatively, implement a package of law and rule changes that increase the regulatory framework for embedded networks. Active believe that not only will this address current issues in embedded networks, but it will also effectively outlaw the traditional model of embedded networks.

To further enforce this, and as proposed in the AEMC's regulatory reforms, all embedded networks shall either gain a defined embedded network retail license or an authorised retailer license with a special condition to only operate within a defined embedded network site.

Active believe that the issuing of licenses to embedded networks ensures the following regulatory requirements:

- ncreased consumer protections
- A more enforceab e comp iance mode to provide regu ators enforcement powers inc uding the issuing of pena ties for non-comp iance.
- A more robust and proven ROLR mode ,
- A ows embedded network operators access to government rebates and the abi ity to pass through on consumer e ectricity invoices,
- Consistent interaction with Market (AEMO/MSATS), and
- Estab ished and proven reporting and comp iance requirements by embedded networks.

By implementing this proposed alternative methodology, the AER would elevate embedded networks into the most efficient and effective regulatory regime for the energy sector, ensuring embedded network customers benefit in this transition.

The adopted AEMC updated regulatory framework, or a new regime would improve customer protections and access to retail market competition by extending many of the arrangements for on-market customers to embedded networks.

Should the AER recommend a new regime for embedded networks. Active believes aspects of the AEMC's updated regulatory framework should be adopted, including:

- **Market and system integration:** a meters in new embedded networks wi need to be registered with the market operator. This wi a ow a embedded network customers to be "discoverab e" by retai ers (i.e., in MSATS), removing a key barrier to competition.[1]
- **Network billing:** A new and existing embedded networks wi be required to cap network charges at a eve no greater than the amount that a customer wou d have paid had it been direct y connected to the oca distribution network.[1]
- **Network regulation and connection:** Embedded Networks wi be required to provide customer connection services that mirror those of oca distributors.
- **New consumer protections:** Embedded Networks wi now need to meet simi ar comp iance requirements to those of on-market retai ers.
- **New monitoring and compliance requirements:** Embedded Networks (new and egacy) wi be subject to a suite of new monitoring and comp iance provisions. This inc udes the ESC's monitoring, investigation, and conduct powers, genera information gathering powers and ESC reporting requirements.

On previous surveying, the AEMC states that Ombudsmen, consumer groups, retailers, and the Australian Energy Regulator (AER) all expressed overall support for the proposed updated regulatory frameworks for embedded networks.

In Active's opinion, this methodology can be adopted by embedded networks and embedded network operators without presenting a large burden or costs as Active have operated as close as possible to the AEMC's proposed framework and can confirm that full consumer protection, as well as financial benefits can still be maintained.

It is true to say that it is not always the embedded network that presents blockages to retail competition.

By a ow ng the market and system ntegrat on and embedded network b ng the embedded network w be estab shed to a d str but on standard. Th s removes ssues for on-market reta ers n ssu ng energy on y offers f reta ers agree and comm t to a B2B process by rece v ng network charges from embedded networks. Th s B2B process cou d be through estab shed NUOS agreements.

CONSUMERS BENEFIT FROM EMBEDDED NETWORKS

2.2 REVIEW OBJECTIVES

1. TO IDENTIFY GAPS IN THE NECF THAT MAY INHIBIT CONSUMERS' CAPACITY TO EFFECTIVELY ENGAGE IN A TRANSFORMING ENERGY MARKET.

Quite regularly ignored in the discussions around embedded networks is the simple fact that, when operated properly, with all benefits of the electrical infrastructure flowing to the building and not the operator, an embedded network provides a distribution alternative that allows for a greater benefit than a grid-connected building.

Embedded networks provide greater capacity to utilise on-site generation from renewable resources, creating greater opportunities for buildings to embrace a carbon neutral future. Solar, energy from waste, co & tri-generation all provide opportunities for small micro-gird solutions, all of which function more efficiently in embedded networks than in grid connected buildings.

EV charging, demand management, energy sharing, and many more current and future technologies will deliver better outcomes in embedded networks because of the flexibility that the private distribution network provides.

Financially, an embedded network allows for the proceeds from on-selling operations to be redistributed to the building where they can be used to reduce residential energy rates or returned to the Owner's Corporation, a process that ultimately benefits the resident by various means.

Embedded Networks also allow for the following benefits:

- Lower Owners Corporation pub ic ight & power pricing than wou d be avai ab e on market.
- Greater uti isation of renewab e energy than is achievab e in a grid connected bui ding.
- Use of network profits to assist in reducing overa bui ding running costs.
- Better than market rate offers for residents.

Each of these benefits, and there are others, focuses on reducing the cost burden on owners and residents through reductions in outgoings.

Active acknowledges that the above is not currently an industry standard and that the current regulatory framework may no longer be fit for purpose as it is not ensuring the benefits flow to consumers.

However, if Active's proposed alternative methodology was implemented, embedded networks would have total consumer protections, full power of choice to receive energy from an Authorised Retailer and enforceable compliance obligations monitored by regulators, whilst also ensuring consumers received the benefits outline above.

Properly regulated and managed embedded networks should immediately ensure that customers living in them had access to greater benefits than those in grid connected buildings.

To further elaborate why consumers are better off in embedded networks, Active present the below figures to highlight the differences in costs between an embedded network and the incumbent licenced retailer in the geographical distribution zone

Figure 1: Active Uti ities (EN) res. rates vs VDO

	Rate[2]	2021 VDO	% difference VDO
Peak	0.1237	0.2140	20%
Supp y	1.1309	1.133	6%
Tota annua maximum bi	907.58	1,269.55	29%

Figure 2: Major Retai er (on market) res. rates[3] vs VDO

	Rate	2021 VDO	% Difference VDO
Peak	0.193	0.2140	10%
Supp y	1.020	1.133	10%
Tota annua maximum bi	1,144.30	1,269.55	10%

The above figures highlight that the Active embedded network rates are 29% below the VDO as opposed to the major retailer, as the incumbent licenced retailer who is only 10% below the VDO; representing savings of 19% more for the consumer under Active's embedded network model.

[2] As def ned n Act ve s mode embedded network benef t opt ons.

[3] Or g n Energy rates comp ed from Or g n Energy E ectr c ty L m ted — Or g n Everyday Rewards (S ng e Rate) energy pr ce fact sheet on 24th February 2021 v a https://www.or g nenergy.com.au/content/dam/or g n/res dent a /docs/energy-pr ce-fact-sheets/v c/1Jan2021/OR228306IMR.pdf

OUTCOMES OF GOVERNMENT REVIEWS ON EMBEDDED NETWORKS

Active believes that the AER needs to work in step with the States to ensure that the State based regulatory changes are not in conflict with the Federal requirements, creating greater comeplxities.

VICTORIA

Active believe that the Victorian Government's review overlapped, and diminished work already completed in the review of the General Exemption Order and the updates made to the Energy Retail Code in Victoria.

In addition, it overlapped with the issues already considered by the AEMC and the reforms proposed by the AEMC that are yet to come into law in NECF jurisdictions.

Active feel the above reviews, plus others conducted, including from DEWLP, were not considered by the Victorian Government prior to a released election commitment and subsequent directive to the Expert Panel to ban new residential embedded networks was made.

NSW

The NSW Government has recently announced a review into Embedded Networks which would appear, in principle, to overlap the work contemplated in this review and also works contemplated in the Victorian review.

NEGATIVE IMPACTS

CUSTOMERS

ELECTRICAL INFRASTRUCTURE

Property developers make all key decisions on design, services, and amenity for their development. However, for developers considering an embedded network enhanced with new energy, there is a process to identify embedded network specialists who are then held responsible to ensure the common and individual electrical infrastructure and energy service (heating, cooling, hot water and cooking services) requirements are adequate to ensure compliance with all relevant technical, safety and operational regulations and standards are met; as well as determining how future residents will engage and be supported by their electrical infrastructure and energy requirements for the next 50+ years.

If new residential embedded networks are restricted, Active believe the default position for most developers will be to not go beyond minimum requirements as required today and not consider the customer or future impacts of electrical infrastructure and operating requirements.

Unless a solution provides short-term value to buyers, a developer is unlikely to invest in it; with many buyers being either investors, or having limited understanding on energy matters, there is no benefit to developers other than meeting the minimum requirements and spending the minimum amount on electrical infrastructure for the market today.

If residential embedded networks were operated under an updated regulatory framework, the incentives could continue to be aligned for the developer and customer.

MAJOR DISRUPTIONS TO A VARIETY OF ASSOCIATED INDUSTRIES

If the new regulations severely restricted the capacity to implement new residential embedded networks, Active believe this would have dire consequences and major disruptions to a variety of associated industries. Active have consulted with several of our third-party stakeholders who have all confirmed that this would cause impact to their businesses, including the reasons of disruption, outlined as follows:

- **Embedded Network Operators:** A embedded network operators wi be affected by a ban on new residentia embedded networks. The effect on these businesses wou d be substantia due to amended financia projections and a decrease of customers/c ients in the marketp ace.
- **Distribution and transmission system**: current y re ies on sing e network providers for specific areas within their geographic ocations to ensure re iabi ity and supp y of e ectricity to end consumers
- **Electrical contractors:** some businesses have become specia ised in embedded network e ectrica works. The banning of embedded networks sees their ski s and businesses being made redundant.
- **Owners Corporations/Strata Management:** Wi have a cost y transition and wi be ooking for options to transfer these costs to the end consumer.
- **Developers, builders, and construction specialists:** Deve opers and bui ders have increasing y been ooking at estab ishing embedded networks for their deve opments as a means of reducing costs to the deve opment and passing on these savings to end consumers. The proposed ban wi make it impossib e for this to occur, increasing deve opment costs which is ike y to resu t in these costs being transferred to the end consumer.

Through other generic discussions, Active also understand businesses such as technology firms, Real Estate agencies, OC Management firms, consultancy firms and embedded network manager specialists will also face significant disruptions if a ban were to occur.

In Active's opinion, embedded networks, and the other associated industries mentioned above will not be adversely impacted if Active's proposed alternative methodology was the recommendation.

ACTIVE'S MODEL

At Active, our focus since inception has been ensuring that we are always acting in the best interests of the owners of the embedded network buildings we service. Embedded Networks are looking for greater control and transparency, that is the Active model.

CONTROL

- With Active we give the Owners Corporation/bui ding back contro and ownership of the embedded network assets.
- The Strata contro s how the revenue is a ocated. The Strata sets the residents rates which determines the va ue of the strata's cash return.
- Active a so fund and insta new metering hardware to ensure tenants are accurate y bi ed.
- A assets wi transfer to the Strata at the end of the term at zero cost, providing f exibi ity to choose a new embedded network operator without rep acing hardware.

TRANSPARENCY

- With Active the bui dings network operations are tota y transparent.
- Active provide an open book pricing and operations mode , which means no more guess work.
- Active ensures the embedded network system wi generate a new revenue for the Strata.

FIXED FEES

- Active charge a fixed fee for managing/operating the embedded network and do not derive any other financia benefits, as above indicates.
- The fees are derived from the operations of the embedded network. Active's feasibi ity mode s ensure the embedded network can support the payment of fixed fees whi st sti benefiting consumers prior to an agreement to operate the embedded network
- No extra fees for managing/operating the embedded network are charged to residents
- The fees are subtracted from the return avai ab e from the embedded network, either through discount on residentia energy rates or returns to the strata as high ighted in the Embedded Network Benefit options on the fo owing page.

EMBEDDED NETWORK BENEFIT OPTIONS

At Active, we a ow the strata to contro the benefits. Active a ow the strata to contro how they want to receive the benefits. The strata can choose to use a proceeds to reduce resident tariffs, take it as a cash return or a combination of both. Active a so provides common area power at our who esa e purchasing price and rep ace a meters at zero cost to the Strata.

Figure 3: Benefit Options[4]

Option 1

42 % Discount on Residential Rates

Average Resident Saving

$200 pa

2021 Resident Rates (inc GST)

$0.1237 per kWh

$1.1309 per day

Residents wi receive the fu benefit of the embedded network. For 2021 this equates to a 42% discount off the current retai er rates. n this option the Owners Corporation does not receive an ongoing return.

Option 2

Cash to Owners Corporation (O/C)

Average O/C Return

$30,000 pa

2021 Resident Rates (inc GST)

$0.2132 per kWh

$1.1309 per day

n this option, Active wi provide the Owners Corporation a return over the term of the contract. Payments wi be made quarter y. Residentia rates are matched to the current retai er rates and wi be reviewed annua y.

Additional Benefit

Common Area Rates

Avg. O/C saving against current retai er

$7,000 pa

2021 Resident Rates (inc GST)

$0.087 per kWh Pk

$0.057 per kWh Off Pk

Active wi charge the common area power at the gate meter who esa e price. The Owners Corporation wi review and sign off the gate meter contracts as part of Active s open book po icy.

After 5 years

The Owners Corporation benefit increases as the hardware is paid off. The resident discount wou d rise from **42%** to **59%**. The Owners Corporation cash option wou d increase to **$42,000 pa.**[3]

[4] These f gures are an examp e of benef t opt ons that are offered to Owners Corporat ons that engage w th Act ve. Th s examp e s based off a current s te that Act ve has tendered for. Res dent sav ngs rates and Owners Corporat on returns are dependent on Act ve s feas b ty mode and the Owners Corporat ons current reta er rates. These rates are not app cab e to any other s tes Owners Corporat ons or nd v dua customers un ess conf rmed n wr t ng by Act ve Ut t es Pty Ltd.

CONSULTATION QUESTIONS

7. ARE THE CURRENT AUTHORISATION AND EXEMPTION PROCESSES FIT FOR PURPOSE?

a) What risks do you see from the current frameworks?
b) What consumer protections do you think are missing from the frameworks.

Active has chosen not to comment in depth on the Authorisation framework.

The greatest regulatory risk remains in the capacity of the framework to ensure Power of Choice. The Active model detailed above requires metering to the standard of a grid connected building, and the presence of an Accredited Meter Data Provider (MDP). If all embedded networks were built to provide for an MDP to facilitate Power of Choice, the greatest potential consumer harm is removed immediately.

For the exemption framework, one of the most important processes to ensure the interests of lot owners and tenants is consent. Consumers are at risk where consent is denied. Consent is required supply occupants pursuant to an electricity supply agreement. In Victoria there are additional explicit informed consent requirements in the General Exemption Order (GEO) which also need to be met. Clause 9 provides that explicit informed consent and a range of information provision requirements must be met before a customer enters into an energy agreement with an embedded network.

Active notes that there are clear processes that need to be followed and the documentation used must be compliant.

However, Active feel that some processes could be added or strengthened to ensure the interest of lot owners and tenants. Additional processes could be based around requirements to notify prospective lot owners or tenants, that the interested site they are looking at entering a contract into is part of an Embedded Network. This will then ensure the Lot Owner/Tenant is fully aware of the nature of agreement with full disclosures being made.

Lastly, Active notes that this process is better aligned with Developer, Owners Corporation or Real Estate Agent legislation and therefore may not be a part of this review's core focus.

8. IS THE POINT-IN-TIME ASSESSMENT FOR RETAILER AUTHORISATIONS AND INDIVIDUAL EXEMPTIONS FIT FOR PURPOSE? WHY/WHY NOT?

Active have no comments on this question.

9. HOW CAN WE LIMIT THE RISK OF CONSUMER HARM WHEN RETAILERS OR EXEMPT SELLERS SIGNIFICANTLY EXPAND/CHANGE BUSINESS ACTIVITIES AND CAPABILITIES AFTER AUTHORISATION OR EXEMPTION?

If operators and Authorised Retailers are acting under the rules this should not be a risk. Active believe the most important customer protections for embedded network customers are:

- Pricing
- Access to competition
- Access to rebates and concessions
- Life support arrangements
- Notification of outages
- Billing
- Compliance
- Access to Dispute Resolution Services
- Connections
- Safety

Active believes most protections are extended to embedded network customers through federal and state-based regulations such as the Energy Retail Code of Practice in Victoria.

However, Active admits, that these customer protection regulations, as they currently are within the current embedded networks framework may no longer fit be entirely for purpose as it has been shown that some customers are not being able to access competitive on-market competitive prices and there is Insufficient monitoring and enforcement power with the regulator.

Therefore, although the customer protections listed above are extended to embedded network customers, a lack of practical access to competition and insufficient monitoring and enforcement powers of these regulation inherently reduce the intent and meaning of the regulations designed to protect customers.

Additionally, customers want concession and rebate queries dealt with quickly and efficiently and for grants to be applied to their accounts sooner than what the current process for embedded networks are taking.

Embedded Network customers are disadvantaged when applying for Government grants and rebates as well. In Victoria, on-market customers grants, and rebates are managed by their licenced retailer, but if an embedded network customer is seeking a grant/rebate the embedded network who on-sell them electricity cannot apply for this on the customers behalf. The onus is on the customer to contact the Department of Health and Human Services (DHHS) to manage this themselves.

When conducting follow-ups or trying to further assist the customer, Embedded Network Operators do not have access to the DHHS NURG system either to lodge an application on behalf of the customer nor is 'read-only' access provided to an Embedded Network Operator where we could review our customers progress of application to provide updates to the customer.

In Active's experience, customers have relayed they are frustrated in the delay in getting through to DHHS (either by phone or by email) and applications for a Relief Grant are stretching out for months.

This process is similar in the other states that Active operates in.

10. HOW CAN THE AER BETTER ADDRESS SERIOUS MISCONDUCT OF AUTHORISED RETAILERS AND EXEMPT SELLERS?

Create a stronger enforcement framework and actually enforce the rules using financial penalties all the way through to the revocation of authorisations.

If a class of Authorisation were created for embedded networks and these were at risk of revocation based on the rules, the risk of behaviours that put consumers at harm would diminish.

The behaviours exist because the enforcement regime is weak or ineffective, non-existent, or not applied.

CONCLUSION

In conclusion, although Active agree with the review of the Authorisation and Exemption framework. Active believe this review should focus on traditional embedded networks in their current status, allowing a path forward for residential embedded networks to continue, albeit with regulatory reform that provides consumer protections and further compliance and enforcement powers to regulators among other obligations as currently required by Authorised retailers.

To create a path forward for residential embedded networks with regulatory reform, Active believes strong consideration should be given to our proposed alternative methodology as detailed in this submission.

As detailed in this submission, there are larger impacts on limiting new residential embedded networks as opposed to reforming traditional embedded networks in their current state.

The impacts include:

- Reinstating barriers that wi prevent residentia bui dings from investing in research, deve opment, and innovation in renewab e energies.
- Removing financia and other benefits provided to embedded networks.
- The oss of jobs and c osure of sma , embedded network businesses.
- Major disruptions to a variety of associated industries.

Furthermore, embedded networks reduce the cost to build greenfield residential buildings that in turn reduce the cost for consumers to purchase a property.

Embedded networks also assist the local distributor in site management activities that reduce overhead costs and maintain lower network fees. If residential embedded networks were banned, as proposed, local distributors would have additional costs in managing these sites. These costs are likely to be recovered from all customers within the distribution zone.

Again, Active believes with the sentiment of implementing a ban, but implores that due consideration be given to our proposed alternative methodology that, in summary, consists of banning **traditional** embedded networks in their **current state**, through regulatory reform.