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Mr Chris Pattas  
General Manager, Networks  
Australian Energy Regulator  
PO Box 520  
Melbourne Vic 3001

Dear Mr Pattas

### **Submission – Network Exemption Guideline Review**

I wish to make the following submission relating to the Embedded Networks Final Rule Determination in the light of the full financial effect on a specific Queensland retirement village.

I am aware of a submission previously made on this matter by Mr John Scouller who is a resident of the Fig Tree Retirement Village, Murrumba Downs, Queensland. While I am in full agreement with Mr Scouller's submission, there are some differences which affect the North Lakes Retirement Resort, North Lakes, Queensland.

### **Background**

In November 2012 my wife and I moved into a villa at the long established retirement village North Lakes Retirement Resort (NLRR) owned and operated by Stockland Property Services Ltd with the co-scheme operator North Lakes Retirement Resort Residents Services Limited.

Our leasehold accommodation tenure is for 49 years. The village contains 355 accommodation units and is wholly owned and operated by Stockland. This obviously includes ownership of electricity cabling, wires and meters and thus controls the embedded network with supply of electricity from Stanwell. In February 2015, Stockland belatedly became aware of the need to register for an exemption as an embedded network supplier of electricity, R3, and was registered from 16 February 2016. As the owner of the embedded network, and an Exempt Retailer, Stockland on-sells electricity to all residents' accommodation units with limited external price control.

The NLRR was set up as an embedded network in 2005 when Stage One of the village was being developed. Initially, and for a limited period, the village meters were read by an outside company before Stockland staff assumed that activity. Stockland staff continued to bill residents. The electricity cost was included with residents' monthly statements. This is stated in Stockland's sales material for NLRR.

## **The Present Situation**

In 2015 following negotiations with Stanwell for the supply of electricity, Stockland achieved a price reduction in the cost per kWh to the NLRR embedded network. Subsequently, from January 2016 Stockland billed residents at monthly intervals and at a standard rate per kWh, which included GST..

However since 1 November 2016 Stockland has contracted for bi-monthly meter reading and billing to be initiated and managed by an external Victorian company. Residents will be required to send payment to that company as the electricity usage and billing will no longer be included in their monthly NLRR statements. At unstated intervals, the company will then forward residents' total payments to Stockland.

The contracted charge for the bi-monthly reading of meters and billing of residents is understood to be in the vicinity \$34,000, whereas this was previously done by Stockland employees at no specified cost to residents. No information was given to residents explaining what tenders, if any, had been sought for this changed meter reading-billing service, or details announced of the final contract.

Residents were not asked to vote their approval of this new service. Rather than consider upgrading their IT billing software to include all the information required of an R3 embedded network supplier, Stockland contracted a company familiar with such billing. Stockland simply informed residents when the change would be made. By this action Stockland possibly disregarded sections of the Queensland Retirement Villages Act 1999 relating to changed suppliers or an increased cost of general services (Sections 107,107A and 108).

However, Stockland have advised that residents could, if they wished, change to an alternative electricity supplier. It was also explained that the resident would require Stockland's approval for any modifications to electrical infrastructure in the village prior to any works commencing. Costs for such, together with the installation of a new electricity meter to be installed at their 'home', would of course be borne by the resident. Thus the installation cost would obviously be prohibitive.

In other words, if the aim of the AER is to "*promote competition in the retail market for customers within embedded networks by decreasing the barriers to embedded network customers accessing retail market offers*" it would be financially (and probably physically) impossible for residents of the NLRR and similar retirement villages. Current regulations make residents of NLRR a captive market for the scheme operator/owner.

## **Matters of Concern**

I would ask the AER to consider the following:

- 1 Is the expanded information required on billing statements from an embedded network supplier (R3) really necessary for residents of a retirement village?
- 2 The object of providing competition for customers of an embedded network is not achievable for residents of many retirement villages in Queensland in view of existing village infrastructures.

- 3 If the owner of an embedded network outsources the meter reading and billing process, the details of that contract together with costs should be fully explained to residents together with an indication of capped future cost increases.
- 4 From March 2017 operators of an embedded network should inform residents of the criteria for selection of an Embedded Network Manager.

Yours sincerely

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