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Sarah Proudfoot  
General Manager, Retail Markets  
Australian Energy Regulator  
GPO Box 520  
Melbourne, Vic 3001

Submission re Revised Exempt Selling Guideline – November 2012

Dear Sarah,

The evolving guideline continues to provide a sound and comprehensive template for fair and effective energy on-selling.

Network Energy Services is a specialist external service provider involved with more than seventy sites and more than ten thousand customers of those sites.

We specialize in residential customers who in the most part reside in retirement villages and residential parks.

Our comments therefore reflect our interest in representing;

Specialist External Services Providers  
and  
Exempt Sellers and Exempt Customers in classes R3 and R4.

Our comments relate to,

1. Differentiating between the objectives of Exempt Sellers in different classes.
2. Who should be the Exempt Seller.
3. The role of Specialist External Service Providers.

**1. Differentiating between the objectives of Exempt Sellers in different classes.**

Your report appears to recognize the difference between on-selling in R3 and R4 where the on-selling is in the main conducted for the benefit of the residents as opposed to on-selling in some other categories where the on-selling is more commercially motivated with objectives to benefit the exempt seller as well as the exempt customer in varying respective proportions.

On-selling, particularly in R3 and also in many cases in R4 is generally a community activity with either the residents or the owner being the exempt seller and having the total objective of using all benefits from the on-selling for the good of the residents who in the main are pensioners or retirees who are under pressure from rising costs and who have lifestyles that may benefit from the flexibility that can be provided by their village being an embedded network.

As an exempt seller a village can customize their on-selling to include such features as;

avoiding time of use billing, which penalizes frail and elderly who occupy their homes mainly during times that would otherwise be “Peak” and attract higher costs. Having an all hours “GD” tariff removes the need for elderly residents to use their washing machine or do their ironing after 11 pm in order to save money.

maintain low priced “Y8” tariffs for residents who have “controlled load” heating and hot water systems and who would otherwise have to compromise their health and wellbeing because of very high costs for that controlled load heating and hot water,

provide cheaper energy for air-conditioning for frail residents who would otherwise risk their lives by not keeping cool in extreme weather, (note that there will be comment later about villages reducing load on the distribution system in such conditions). It is noted in an article in The Australian (January 9<sup>th</sup> 2013 by Ian Yates, CEO of Council of the Aged) that in the 2009 Victorian heat wave there was a 64% increase in deaths with the largest increase among people aged over 75.

keep electricity prices as low as possible in order to help pensioners and retirees survive financially.

reduce other costs of living in the village by using any surplus from on-selling to help pay for village services such as nursing care and maintenance.

encourage PV (solar) electricity generation in the village to the benefit of the residents, the village community, the external community and wider distribution system.

There are many other benefits for R3 and R4 exempt customers and therefore in fairness **your report should add the additional dot point under 9.2.2 of the Guidelines** to say that an exemption is likely to be appropriate in “situations where communities want to use on-selling to provide financial and lifestyle benefits to members of that community”. That is the situation for thousands of the exempt customers that we deal with and that fact should not be ignored.

The community nature of R3 exempt selling means that the community can act to assist the distribution network in times of peak stress on the system. This has been proven in many cases when communities have been incentivized by their NSP to reduce load on extreme days and they have adopted strategies that have achieved significant reduction in demand in stressed times whilst ensuring that vulnerable residents were not placed at risk. Village communities take pride in such an achievement as well as being rewarded and such exercises add to the community building spirit and pride in R3 sites.

## **2. Who should be the Exempt Seller.**

We endorse the view expressed in the draft instrument paper at 2.1 that the entity that is contracted to buy energy from an authorized retailer must hold the exemption.

Our view is similar to the AER report that it is the entity that incurs the cost of buying the bulk electricity that must also bear the risk of any non-payment by customers. That nexus is desirable in order that the exempt seller has the very strong incentive to operate the on-selling in a viable manner so that they will not default on payment to the authorized retailer. Payment default to the authorized retailer and subsequent disconnection of power to the embedded network is the major reason why exempt customers may be more vulnerable than customers of authorized retailers and structures that encourage responsible on-selling operation are desirable. That the exempt seller

should be the contracted purchaser of the energy is an action that encourages responsible operation and behavior.

### **3. The role of Specialist External Service Providers.**

It is desirable to have professional specialist service providers to manage energy on-selling because by definition the on-selling is incidental to the core business of operating a residential community and external service providers have the resources, technology, knowledge and expertise to manage the operation in their role as agent for the exempt seller.

The Service Provider role extends well beyond reading meters and producing bills because the Service Provider should also guide the exempt seller in terms of compliant and viable operation of the on-selling, facilitate energy concessions for residents, being the first step in the dispute process, monitoring regulated prices and costs, advising of regulatory changes and being proactive in meter and equipment maintenance.

The Service Provider is also often the first to recognize that a resident is having financial difficulties and we can quickly offer assistance to the resident and where required provide guidance toward other support that may be available. R3 and R4 customers are often frail and may sometimes lack family support and such residents can receive sympathetic and customized attention in times of need from the Service Provider (and also the exempt seller) that is reflective of the supportive community in which they live.

The Service Provider can ensure that appropriate documentation and information is provided to exempt customers and also that registration of the site (on the AER register) occurs and is kept current when the Retail Law is enacted in relevant jurisdictions. Service Provider details when shown on the AER register will provide a constant and knowledgeable reference point for problems and enquiries in relation to the respective exempt seller.

Enquiries relating to this submission can be directed to Dennis Etchells, Ph 03 9807 5286