

8 May 2023

Arek Gulbenkoglul  
General Manager  
Australian Energy Regulator  
GPO Box 3131  
CANBERRA ACT 2601

## Submission: Ausgrid - Determination 2024-29

Dear Mr Gulbenkoglul,

Network Energy Services (NES) is responding to the request for written submissions on the AER's Issues Paper, Ausgrid's 2024–29 Regulatory proposal and the AER's proposed negotiated distribution service criteria.

### About Network Energy Services (NES)

NES is the leading Embedded Network Manager (ENM) and utility services billing service provider for retirement villages and Over 50's land lease residential communities, assisting over 160 communities and in excess of 20,000 elderly consumers across Australia.

For the communities that our business assists, the Residents Association or Village is the Exempt Seller. In the case of Residents Associations, they are representative resident's committees who set rates for the residents within their village, and all the benefits from the operation of the embedded network are returned to the residents either directly via discounts on resident bills or benefits to the village budget.

NES is a service provider who assists Residents Associations and village operators with the operation of their embedded networks to ensure compliance to relevant embedded network, billing and consumer regulations, however our clients maintain all control in relation to price setting and discounts to their residents as the owner and operator of their embedded network infrastructure.

### Proposed introduction of embedded network tariffs

NES' interest is in responding to Ausgrid's 2024-29 Regulatory proposal and specifically the proposed introduction of embedded network tariffs.

By their own admission, Ausgrid advise it is an operator's choice to connect to the network as an Embedded Network (EN) instead of connecting each individual energy user directly to the grid. There are many varied reasons that contribute to such a decision, and in the case of retirement villages and Over 50's land lease residential communities, it is done so for the benefit of consumers.

In developing, implementing and operating an EN, operators are the entity that invests in the electrical infrastructure to create that network – everything from the point of connection to everything downstream of the parent meter. It is not the distributor that has invested in this infrastructure, and nor is it the distributor's responsibility to maintain and service this infrastructure. The ongoing costs related to maintaining the private network falls on the Embedded Network Owner / Operator. From a distributor perspective, there is only a single (or several) parent meter connection to their network. Ausgrid have no other network or metering responsibilities downstream of this parent meter. So, it is effectively the same as any other commercial connection.

In their proposal, Ausgrid suggests that the proposed EN tariffs are in response to the increasing number of consumer energy resources connected to its network, however the implementation of an EN has the direct opposite effect, in that it reduces the number of consumer connections to their network.

"Australia's first accredited Embedded Network Manager"

The suggestion that the NER requires the recovery of residual cost and that it should not distort long run marginal cost appears to be an unreasonable argument to justify increased revenue goals, given that the current network tariffs provide fair recompense for the service that are provided to the commercial parent meter(s).

While some ENs may be able to lower their capacity demand through introducing renewables downstream of the parent meter, many ENs are not due to a number of reasons. The lack of roof space on vertical apartment buildings remains a challenge, while distributor network protection requirements remain a barrier financially for legacy ENs to widely embrace solar across broad acre retirement or land lease communities.

It's important to consider that in a non-embedded network retirement village (with no parent meter) where retailer meters are installed on each individual home, the distributor will be charging (via the retailer) the full network tariff for every home while being responsible for the network infrastructure. The injustice of the proposed EN tariffs by Ausgrid is that the EN operator will still be responsible for the private electrical infrastructure within the village (e.g. cabling downstream of substation, distribution boards etc.), yet the distributor will be charging a higher tariff even though they are piggy-backing on the retirement village's private network.

The embedded network enables the retirement village to take complete responsibility for their private network, and in the case of retirement villages and Over 50's villages, to pass the benefits through to consumers by structuring in this way.

The AER should also consider the NSW Government's inquiry into the future of embedded networks, where IPART has been tasked to recommend the appropriate price protections for customers supplied electricity (and gas or hot or chilled water) through an embedded network. Any decision deviating from the current status quo is likely to have an impact on EN viability, without any new, higher costs proposed by Ausgrid.

The financial viability of many ENs has recently been further compounded by the recent volatility in the energy market which has been problematic for embedded network operators (and many retailers), particularly those who have fallen out of contract for electricity. In many cases the costs for EN operators have increased by 300% to 400% for those who re-contracted during the height of the energy market volatility.

Consideration must be given to EN operators who are already incurring excessive electricity costs at the parent meter, to ensure that they are not forced into a negative position to the detriment of everyone involved – consumers and operators alike – and particularly vulnerable low-income consumers.

Parent meter connections should be treated in the same way as other commercial metering connections, and be charged at the relevant network tariff. To approve Ausgrid's Embedded Network tariff (which is the first of its kind in Australia) would be to change the fundamental costs that underpin embedded network operations.

Network Energy Services has been assisting community Exempt Sellers for over 20 years, and we welcome any queries relating to this submission.

Yours sincerely,

Damian Arsenis  
General Manager  
Network Energy Services

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