

8 May 2023

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

Submission: Endeavour Energy - Determination 2024-29

Dear Mr Gulbenkoglul,

Network Energy Services (NES) is responding to the request for written submissions on the AER's Issues Paper, Endeavour Energy'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 Endeavour Energy's 2024-29 Regulatory proposal and specifically the proposed introduction of embedded network tariffs.

Endeavour Energy is seeking to introduce new embedded network tariffs, outlining that the new embedded network tariffs would ensure that "all customers pay for their fair use of the network." While Endeavour Energy acknowledges that an EN may result in a single point of connection to the grid, and can benefit consumers that reside within them, to then suggest that EN's provide an "inappropriately low contribution to recovering the cost of our existing network, which is unfair for all other customers," is untrue.

Endeavour Energy fails to acknowledge that 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. Endeavour Energy has no other network or metering responsibilities downstream of this parent meter. So, it is effectively the same as any other commercial connection.

ENs results in fewer consumer connections to the grid, and therefore less responsibility and work for a distributor like Endeavour Energy, with the EN operator taking on the responsibility for managing their private network.

"Australia's first accredited Embedded Network Manager"

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 EN enables a community 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.

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.

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 Endeavour Energy.

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.

From a network perspective, it is worth considering that there are other situations where consumers are on-supplied downstream of a commercial meter which are not embedded networks, such as aged care facilities, serviced apartments, and university hostels to name just a few. If the premise of Endeavour Energy's argument is based on sharing consumer cost, then to single out embedded networks over these other structures where consumers are also on-supplied energy does not make much sense, and nor is it fair.

Parent meter connections should be treated in the same way as other commercial metering connections, and be charged at the relevant network tariff. To suggest that ENs do not currently pay for their fair share of network costs is simply not true, with the underlying cost to serve a single connection point to the grid being no different to any other other commercial connection.

To approve Endeavour Energy'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
