



30 June 2021

General Manager, Compliance and Enforcement
Australian Energy Regulator
GPO Box 520
Melbourne VIC 3001

Email: AERexemptions@aer.gov.au

Dear Sir/Madam

RE: Updating the Network and Retail Exemption Guidelines – Consultation Paper

Origin Energy (Origin) appreciates the opportunity to provide a submission in response to the Australian Energy Regulator's (AER) Updating the Network and Retail Exemption Guidelines Consultation Paper.

The network and retail exemption guidelines (the Guidelines) set out the processes for registering and applying for exemptions, and outline the various exemption classes, their eligibility criteria and exemption conditions. Origin supports the AER proposal to simplify the Guidelines and clarify aspects of the Guidelines, particularly in the area of consumer protections.

One of the key objectives ought to be removing distortions to ensure that all participants face the same regulatory obligations and oversight. This will remove biases towards specific commercial arrangements and operating models that may deliver sub-optimal or inefficient outcomes. The application of a level playing field should apply equally to off-market and on-market arrangements.

General comment

An exemption places fewer obligations on an embedded network operator (ENO) compared to a licenced retailer and as such customer protections are often diminished. We appreciate this is a key concern for the current review. We consider that it is fundamental that the governance framework for embedded networks ensure that customers are provided with the same protections and regulatory oversight as mass market customers.

We do not believe that the existing exemption regime is entirely effective at ensuring customers obtain access to the necessary consumer protections that are afforded to mass market customers. To address this shortcoming, we consider that parties that sell electricity to residents in an embedded network ought to be subject to retail licencing requirements such as those proposed by the AEMC in its recent review - *Updating the Regulatory Frameworks for Embedded Networks*. While we appreciate that the requirement for a retail licence may introduce additional compliance costs for some ENOs and/or Embedded Network Providers (or retailers), we consider the additional customer protections provided by a retail licence and the associated compliance and enforcement are likely to outweigh compliance costs.

Notwithstanding, we consider that the existing compliance and oversight should be strengthened to ensure that embedded networks are operating as intended and providing consumer protections consistent with that provided to mass market customers. It is essential that the oversight regime be comprehensive and robust to provide comfort to embedded network customers that ENOs are operating with the customers' best interest in mind. We consider that the regime should seek to mirror the obligations under a retail licence.

We are not in favour of distribution licencing requirements and consider these are not necessary if existing Embedded Network Manager (ENM) rules are properly enforced, for example, maintenance of standing data. We consider that electricity distribution is incidental to the operation of the vast majority

of microgrids. The distributor obligations in terms of market information are important but can be properly catered for in the enforcement of the ENM provisions. We consider the focus should be on retail customer protections.

Our response to specific issues is provided below.

Question 1: Responsibility for meeting network exemption conditions

Fundamentally, we consider that parties that supply energy to residents in an embedded network ought to be subject to retail licencing requirements rather than an exemption. We consider this to be the most effective means of providing customers with access to all consumer protections.

The network component of an embedded network should be operated in the same way as any other high rise building or housing estate, without an embedded network. Where a network exemption is required, we consider the Owners Corporation (or the owner of the common property in a building/estate) is the correct party to apply for the exemption (as the owner of the wiring and network).

We consider only one membership to the ombudsman scheme should be required by the retailer. However, to the extent ombudsman membership for the network is considered necessary, this should also be the responsibility of the Owners Corporation.

Question 2: Ombudsman membership

As Origin operates under a retail licence, there is no barrier to Origin embedded network customers making a complaint to the ombudsman. However, we believe it would be preferable for Embedded Network Providers (or retailers) to become Energy and Water Ombudsman members (EWO Members), rather than each Building Owner/Owners Corporation (or an agent of) needing to join EWO. Given there are significantly fewer Embedded Network Providers (or retailers) than Owner Corporations, and Owner Corporations have limited experience in retailing, membership by Embedded Network Providers (or retailers) is likely to be more efficient and result in faster (and probably better) outcomes for customers.

Question 3: Controlling and operating an embedded network

Origin considers clear definitions useful but only so far as clarifying who needs to apply for the exemption and which party will be responsible for each condition of the exemption. There are many functions associated with controlling and operating an embedded network. Our view of embedded network responsibilities include:

- Owners Corporation owns the network within the property boundary;
- Owners Corporation maintains wiring and any non-metering equipment;
- Owners Corporation handles complaints in relation to the infrastructure assets and the quality of supply;
- Retailer owns the metering equipment;
- Retailer manages the ENM to ensure freedom of choice;
- Retailer meters and bills customer;
- Retailer handles customer complaints regarding the billing; and
- Distributor is responsible for quality of supply to the property boundary.

Question 4: Regulating small generator aggregators

No comment.

Question 5: Small generator aggregators under the NER

No comment.

Question 6: Procuring and appointing an Embedded Network Manager

Origin has experienced issues gathering the correct information to appoint an ENM, particularly on historical buildings. However, Origin sets up the ENM as soon as possible and consider that a

reasonable timeframe would be 44 business days (around 2 months or 8 weeks) from the first provision of retail services in an embedded network. This should be extendable or subject to:

- cooperation from the developer which will need to provide requisite Single Line Diagrams (embedded network design requirements); and
- cooperation from Owners Corporation for the exemption information, as a lot of the time the Owners Corporation has not been appointed or do not have an ABN when we need to submit the exemption.

We suggest if a customer wishes to go on-market before the 44 business days then this timeframe will be reduced to 14 days and become the highest priority.

Origin supports the commencement of the timeframe from when the first customer goes on-market, however Origin will continue to commence the process as soon as practicable.

Question 7: Deferral of Embedded Network Managers in regional Queensland

Origin agrees in principle that ENMs are not required for these types of sites but notes that we do not have any sites in these categories.

Question 8: Deferral of Embedded Network Managers

We understand this to mean that an ENM is no longer required if all customers choose to leave the embedded network. If this is the case, we agree.

Question 9: Removing the 'eligible communities' and counter offer provisions

Origin has no objection to this as we appoint ENMs at the first opportunity.

Question 10: Standardisation of information

Agree that standardisation could be beneficial.

Question 11: Inclusion of 'explicit informed consent'

Origin agrees with the inclusion of explicit informed consent and for this to be provided in writing (as per our treatment of mass market customers).

Question 12: Record keeping requirements

We agree that record keeping is required.

Question 13: Clarification of retrofit requirements

Origin supports these clarifications.

Question 14: Clarification of other provisions or requirements

See additional comments below.

Question 15: Other information requirements

Origin is not opposed to the development of a fact sheet, however we consider a process fact sheet could be misleading to customers if their unique situation or that of the embedded network retailer make access to retail competition difficult. As a result, we do not support a fact sheet until the practical issues of exiting an embedded network are resolved.

Question 16: Hardship assistance and plans

Consistent with our preference that an embedded network ought to be subject to retail licencing requirements, Origin believes that assistance conditions should be the same as those provided to mass market customers.

Question 17: Protections to be included in a hardship policy template

Consistent with our preference that an embedded network ought to be subject to retail licencing requirements, Origin believes that assistance conditions should be the same as those provided to mass market customers.

Question 18: Additional obligations

Origin believes that the additional obligations in the core exemption conditions should be the same as those provided to mass market customers.

Question 19: Other measures to facilitate ombudsman scheme membership

We support the proposal requiring individual exemption applicants to provide evidence of the steps they have taken to obtain ombudsman membership.

We do not consider ombudsman scheme membership is required for the network exemption (or that a network exemption is required) given that there are no additional obligations for embedded network buildings beyond non-embedded network buildings in relation to the electrical network.

Question 20: Regulation of the sale of energy to chill water

No comment.

Question 21: Issues for the sale of energy to chill water

No comment.

Additional comments*Disconnection*

We agree with the AER that the original retailer who assists with the operation of the embedded network should be able to disconnect a NUOS-only customer if the customer is not paying their share of network fees. We also agree that procedures and protections for customers in embedded networks should be the same as for mass market customers.

No requirement for Network exemptions

Origin considers that retailing licencing requirements for ENOs is appropriate and is the strongest tool to ensure compliance with customer protections. Conversely, we consider that distribution licencing requirements make less sense and are not required if existing ENM rules are properly enforced, for example maintenance of standing data.

Network Charges for on market customers

We consider the same network charges should apply to NUOS-only customers as would apply to mass market customers. We consider this represents a clear, repeatable process for embedded network retailers to recover the appropriate cost of the network services that doesn't disadvantage the customer.

If you have any questions regarding this submission, please contact [REDACTED]

Yours sincerely



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