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Australian Energy Regulator

Ref: Draft Exempt Selling Guideline

Target Australia Pty Ltd (**Target**), Coles Supermarkets Australia Pty Ltd (**Coles**) and Kmart Australia Ltd (**Kmart**) welcome the opportunity to make a submission on the amendments to the Retail Exempt Selling Guideline, v4.0, i.e. Section 4.4, Appendix B.

## **1. Consultation requirements for retrofitted embedded networks applications**

In relation to point 17:

*We may require you to provide evidence of tenants' / customers' explicit informed consent for applications involving retrofitted embedded networks.*

Target, Coles and Kmart support the intent of the proposed amendment requiring the provision of additional information to affected tenants. However, we consider that providing not only evidence of consultation, but also evidence of explicit informed consent, should be required prior to an exemption grant. Both pieces of evidence should form part of the application documentation requirements, in every embedded network retrofit application. This would provide an unambiguous decision making process, and benefit all stakeholders.

## **2. Power of choice and consistency with the AEMC's National Electricity Amendment (Embedded Networks) Rule 2015 No. 15**

On 17 December 2015, the AEMC released a final rule to reduce the barriers to embedded network customers accessing competitive retail market offers <sup>(1)</sup>. The rule change allows embedded network customers to:

- *Choose the price and price structure of their electricity service that suits them best, which may result in lower bills;*
- *Choose from a wider variety of products and services; and*
- *Gain easier access to government schemes and consumer protections.*

*This rule change does not prevent embedded network operators from continuing to sell embedded network customers electricity. Instead, it will provide them with a greater incentive to compete with retailers* <sup>1</sup>

If the AER was to formally reduce the current 100% consent requirement to 60%, it would mean that 40% of the tenants would be forced to forfeit their power of choice. This is fundamentally contrary to the above AEMC ruling and legislative direction. What's more, power of choice is also lost in Child NMIs situations as while retailer choice is preserved, tenants lose the ability to easily reset demand,

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<sup>1</sup> New rules for embedded networks, AEMC, 17 Dec 2015, [www.aemc.gov.au](http://www.aemc.gov.au)



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apply for network tariff changes, alter connection capacity size requirements, and access distributor subsidies schemes (e.g. Energex PFC subsidies in QLD) to reduce network costs.

Target, Coles and Kmart reiterate that large and small tenants alike should be able to preserve their right to retailer choice and have the option to remain outside of embedded networks. This would allow tenants who wish to do so, to retain market consumer protections and opportunities not presently provided by embedded networks.

Landlords can rewire tenants that wish to retain their independent NMI outside of the embedded network, or reconfigure the location of the gate meter to exclude them. A simple cost-benefit analysis of total expected landlord revenue vs rewiring costs could be performed in cases of non-consent to aid decisions.

Target, Coles and Kmart maintain that the 100% consent requirements should be upheld. However, if the consent requirements were to be lowered, it is Target's, Coles' and Kmart's view that it should take into account the volume of electricity consumed instead of the number of tenants. Moreover, the level of consent required should be based on at least 90% of the volume of electricity consumed by active tenants.

Yours sincerely

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