REPORT ON PROCEEDINGS BEFORE

LEGISLATIVE ASSEMBLY COMMITTEE ON LAW AND SAFETY

EMBEDDED NETWORKS IN NEW SOUTH WALES

At Room 814/815, Parliament House, Sydney, on Wednesday 3 August 2022

The Committee met at 1:50

PRESENT

Mr Ray Williams (Chair)

PRESENT VIA VIDEOCONFERENCE

Mr Geoff Provest (Deputy Chair)
Mr Edmond Atalla
Mr Adam Crouch

* Please note:
[inaudible] is used when audio words cannot be deciphered.
[audio malfunction] is used when words are lost due to a technical malfunction.
[disorder] is used when members or participants speak over one another.

Dr RORY CAMPBELL, Manager, Policy and Research, Energy & Water Ombudsman NSW, before the Committee

Mr BRYCE PURCHES, Policy and Research Officer, Energy & Water Ombudsman NSW, before the Committee

The CHAIR: Dr Rory Campbell and Mr Bryce Purches, representatives of the Energy & Water Ombudsman NSW, have joined us to give us their briefing. Regarding the format going forward, you are obviously going to make opening statements.

RORY CAMPBELL: We were just going to talk straight to our presentation if that's okay.

The CHAIR: I am happy for you to do that. Do you want Committee members to jump in from time to time or would you prefer to give your overview and then take questions afterwards?

RORY CAMPBELL: I am happy to take questions as they arise.

The CHAIR: Committee members, if you see something along the way and want to jump in and ask questions so it does not slip off the agenda, please do so. I'll recognise you as you do that. Gentlemen, I don't know who's first.

RORY CAMPBELL: Sorry, we didn't bring a copy of the presentation. Is it possible to get it up on screen?

The CHAIR: Yes.

RORY CAMPBELL: My name is Rory Campbell. I'm the manager of policy at the Energy & Water Ombudsman NSW. By way of background, I've been in this energy market for over 20 years now: six years at EWON, seven years before that at the Australian Energy Market Commission and I had six years at Eraring Energy when it was still a State-owned corporation. So I've had plenty of experience. But having said that, I never heard the term "embedded network" until I joined EWON maybe six years ago. Bryce?

BRYCE PURCHES: I am a policy and research officer at EWON. The overall message from us is that—as we go along you'll see how much of a patchwork the regulatory framework for embedded networks is. Really from our perspective, the main issue for consumers is the complexity involved and the uncertainty.

RORY CAMPBELL: I guess there are two take-home messages. One is that no-one sat down and said, "Let's write some rules about embedded networks." That's what we've got today. They just emerged and evolved over time. As Bryce says, a "patchwork" is the best word. Secondly, customers who live within embedded networks have different and lesser rights than customers who don't live in embedded networks.

The CHAIR: Committee members, don't let me ask all the questions. If there are any questions from the Committee, please jump in. Dr Campbell, what pathway was opened up to embedded networks? As you say, there were no processes, no-one sat down. There were no rules. There's nothing governing them. It appears that it's outside certain Acts—the Tenancies Act et cetera. It's completely unregulated in any way, shape or form. How did it eventuate?

RORY CAMPBELL: I think it's not fair to say that it's unregulated; its lesser regulated. It eventuated because a couple of things changed, which we'll go through. The gas hot water changed in the way Jemena started doing boundary metering back in 2015. But some of the other things changed when embedded network operators saw a business opportunity where they can get into a space and be in that space. That has pretty much evolved over the last five to seven years as well.

The CHAIR: So you think it's just something from private enterprise that they put in place themselves, as business people, to set about making charges and trying to fit it into some sort of regulatory framework that really has little governance?

RORY CAMPBELL: I think there are regulatory gaps that created a niche that people have been able to go into.

The CHAIR: Please continue unless the Committee has any questions from the opening statements.

RORY CAMPBELL: As always at EWON, we acknowledge the Gadigal people of the Eora nation, the traditional custodians of the land we work on today, and we respect their Elders, past present and emerging. The presentation is going to be in three parts. We will look at embedded networks as a whole. Then we'll look specifically at the embedded networks within the Residential (Land Lease) Communities Act 2013. Lastly, we

will get to a subclass of embedded networks that I know you are interested in, Mr Williams, which is hot water embedded networks.

Regarding market terms, we've got three market bodies—the AER, the AEMC and AEMO—all with their different functions. I don't intend to go through all the words on all our slides. The main regulatory framework which provides customer protections is the NECF, the National Energy Customer Framework. It's made up of a bunch of things: the NERL, the NERR, the NEL, the NER, NGL, NGR. Despite the word "national" in their title, they are State-based organisations enacted in each State jurisdiction. There is no Federal legislation in there at all. To understand it, the international energy retail rules, which are those set by the Australian Energy Market Commission, they're the force of law equivalent to New South Wales regulations. They sit under legislation. They have that same head of power.

The AER has issued two sets of guidelines—the Exempt Selling Guideline and the Network Exemption Guideline—which set out how the two different sorts of operators of embedded networks shall behave, the things they do and consumer protections thereof. There are gas market retail procedures published by AEMO, which manage the effective operation of the retail gas market. This hinges on this, particularly the gas hot water embedded network market, which we'll get to later. In New South Wales specifically, you've got the Gas Supply Act 1996, the Electricity Supply Act 1995, the Water Industry Competition Act 2006—which is for small operators of water—and you've got something called the Residential (Land Lease) Communities Act 2013, which regulates the operation of residential land lease communities in New South Wales. That will be the subject of the second part of our presentation.

The next slide shows some terms and acronyms. You can go back over and look at these at any time. You've got the National Electricity Market. If you think about distributors or networks, they're the poles and wires. You've got them for electricity. You've got them for gas. Embedded network is the subject of what we're talking about today and we'll get into a bit more detail as to what exactly that looks like. It's just what we mean when we say it's connected to the network and then there's some stuff behind it. We've got diagrams on that later. What we call an onsell, that is not a formal term. It's the person who buys energy at a parent connection point and then onsells that energy or water or hot water—whatever it happens to be—to the customers sitting behind that network.

There are some more terms. I work in an industry with lots of acronyms and lots of complex terms. "Financially responsible market participant" is the entity registered with AEMO that is financially responsible for selling energy to a customer at a connection point. Everyone has got one of those at their house. "Authorised energy retailer"—think AGL, Origin, Energy Australia—is any retailer that has a licence from the AER to sell energy. "Exempt seller" is a person or business that does sell energy but doesn't have to have a licence to do it. This is pretty critical to the point. Exempt sellers evolved because there are entities out there whose fundamental business is not selling energy but they do sell energy as part of their day-to-day operations. The classic example is a Westfield. Yes, they do sell energy to their tenants, but it's not what they're there for. They're there to offer tenancy to shops—whatever—and the energy is incidental. Also in that bucket are things like retirement villages and residential parks. They're providing a service. Energy is a small component of that. That's what the exemption framework was set up to do but, as I hope we'll show, that's not what it is now.

"Exempt network operator" is probably the analogue of the formal distributor. In New South Wales you've got three major distribution networks: Ausgrid, Essential Energy and Endeavour. The exempt network is the analogue of that. Behind the meter they run a small poles-and-wires business that supplies energy to customers. "Embedded network manager" is an accredited service provider set up by the AEMC whose role is to perform the market interface functions for embedded network customers and in theory to facilitate their access to electricity retail market offers, by which we mean competition. They're supposed to sit behind embedded networks and facilitate competition within that embedded network. As you'll see, competition is not something that readily exists within embedded networks.

The three topics I've already told you we will talk about are electricity embedded networks, specific problems in the Residential (Land Lease) Communities Act and then the subset—gas embedded networks and hot water. I will define the regulatory problem created by embedded electricity networks. This is a traditional diagram of how, probably 15 years ago, the market looked like. You had generators which supplied bulk power to transmission systems which supplied to distribution systems. Then a retailer had a connection point to everyone's house where everyone had a meter, and the customer metered energy. The National Energy Customer Framework is based on this relationship. The customer has two relationships: One is with a distribution system, which they can't change. If you're in Ausgrid's area, you're in Ausgrid's area. One is with an energy retailer, which they can change as much as they so—often. NECF has roles and obligations that flow between all three parties. Retailers and networks have obligations to each other, customers have obligations with retailers and distribution centres have obligations with customers as well. It's called a tripartite relationship.

The CHAIR: But that relationship is not for every person in a home. The tripartite relationship only refers, doesn't it, to someone who may have an embedded network provider?

RORY CAMPBELL: That tripartite relationship is outside embedded networks. If you live in a freestanding house, chances are you've got that tripartite relationship. You've chosen who your energy retailer is. Depending on where you live, you're in one of three distribution networks. That covers the most customers in New South Wales. That's the norm. That's what the national energy consumer framework was set up to handle—that three-way relationship between a customer, a retailer and a network.

The CHAIR: Whereby we have full choice, like you say. As you said before, we can shop around and change at our will.

RORY CAMPBELL: Yes.

Mr ADAM CROUCH: Can I just ask, what we're saying is that tripartite arrangement effectively doesn't exist if you're in a land lease community. You effectively have to use whoever the owner of the park is, so they choose that provider rather than you as the individual.

RORY CAMPBELL: Exactly, and that's the point. I think that's demonstrated on the next slide which you should see on your screen now. This is how energy is supplied to an electricity embedded network. You've got your distribution system and a retailer at the parent connection point. The green line represents the embedded network in that there is an onseller—if it's a residential park operator or whoever it happens to be—who has a bunch of customers. They can be any combination of residential or small businesses. So I guess the point is there, the tripartite relationship here is between the distributor, the energy retailer and the onseller. So the onseller is taking the place of the individual customer and instead is acting on behalf of a bunch of individual customers in that embedded network.

The CHAIR: So—and tell me if I'm right—the onseller could be the embedded network or ultimately, in terms of the land lease, it could be the owner of the particular caravan park, who's acting like an embedded network.

RORY CAMPBELL: That is frequently the case, yes.

The CHAIR: And so he gets the best price and he's clipping the ticket probably on the way through just like an embedded network would be as well.

RORY CAMPBELL: Exactly, that's right. They're often residential park operators—caravan park owners who are the onseller. They have customers who live within their caravan park which they sell energy to, to get a price.

The CHAIR: Just before we go on, let me ask this question, and you may cover it. I'm not sure whether you will. But the inducement to the onseller, or the inducement to the owner of the complex, whether it be a caravan park, a block of units, et cetera—the inducement from the embedded network could be that they provide certain amounts of infrastructure, that is, meters, et cetera, to be able to get that particular contract to become the onseller.

RORY CAMPBELL: That is a driver to be an onseller, yes.

The CHAIR: Are you covering that?

RORY CAMPBELL: Yes. What you talked about before—the caravan park—that's traditionally what embedded networks were supposed to be. There's no point regulating a caravan park by the Australian Energy Regulator. You give them the exemption and they do their business. But we are seeing more than that outside that framework, and we do get into that. So the regulatory problem, which we've already gone through, is that the tripartite arrangement now has a different entity at the end. It's no longer individual customers. It's a business—an onseller who has business drivers. So how have they grown and what's changed? I think you were asking that question before.

These numbers are estimated numbers of households—note, that's households, not customers. In every household there's a bunch of customers. The estimated number of households in residential developments established as electricity embedded networks—you can see it has quite grown, and that's why in 2016 when I joined EWON I'd never really heard the term. But we could see it was an issue that was going to grow. And that's data taken from the Australian Energy Regulator's public register of network exemptions. And we are guessing—this is purely a guess on our part, so if you publish these numbers, please caveat that—an average of 100 households per residential development. It could be less; it could be more.

BRYCE PURCHES: I would add that this is one of the issues we've noted in the past about the lack of transparency about actual numbers of customers in networks.

The CHAIR: So have you broken that down further to decipher where the major increases have occurred in the types of dwellings? Is it fair to say that apartment blocks, units, et cetera—that's where the uplift has been? As we've produced more apartments, we've got more embedded networks.

RORY CAMPBELL: We haven't broken those numbers down, but that's certainly fair to say. The growth is largely in apartment blocks. There has not been a pure inflation of caravan parks. There have been some new retirement villages going in, many of whom are embedded networks, but the main growth is in apartment blocks, yes.

BRYCE PURCHES: I should say, we haven't broken it down in terms of growth, but there are some stats in there about the current window of what it looks like right now.

The CHAIR: Then I gather it would be commensurate with the increase of apartments that we've seen over the past similar time from 2013.

RORY CAMPBELL: Yes, very much so. The types of electricity embedded networks—most of them are there for residential customers. We get small non-residential or large customers, some residential parks, a small number of retirement villages and then other commercial arrangements.

The CHAIR: It is interesting that the other commercial arrangements have just come up on screen because I was notified only a couple of weeks ago from a particular person who is a business tenant in a large commercial premises, and they have an embedded network provider there and firmly believed that they're paying well over the odds in their electricity as opposed to what other comparable businesses would be paying in other areas.

RORY CAMPBELL: We've heard those complaints as well.

The CHAIR: Yes, right.

RORY CAMPBELL: So this is the important bit. How are they regulated? In fact, why don't I get you to talk to this section, Bryce. You're the expert.

BRYCE PURCHES: Sure. I guess this is a heavy presentation but really, to break it down as simply as possible, embedded networks are just a small version of what every household or separate dwelling is connected to on a larger scale. The regulation is divided into the actual sale or retail of the energy and the actual physical network. The next slide just shows you a quick snapshot of how actually not just embedded networks but all networks are regulated in New South Wales. You either go down the avenue of being licensed and registered with the Australian Energy Market Operator, where we are only really talking the three distribution areas in New South Wales that are already scheduled, and otherwise you're exempt from having to do that and you're registering that exemption with the Australian Energy Regulator.

Retail is a bit more simple. It's either that you need an authorisation to sell energy—and the big distinction here is that you would need to get an authorisation from the regulator if selling energy is your core business. If it's not your core business and it's described as incidental to your core business, then you're entitled to an exemption, and there are a few different ways that you can obtain that exemption, which we'll go into. I will say, though, that probably what we've seen over the last decade is that potentially it's the exemptions going to an incidental part of your business that have perhaps been the bit that may have fallen down, because a lot of the entities that started out running embedded networks five to six years ago have long since obtained authorisations from the AER, which speaks a lot to the fact that their business probably was core selling energy and shouldn't have been incidental in the first place.

If you go to the next slide, we will just explain that exemption process. Effectively, if you are an embedded network and you want exemptions there are two guidelines that the AER puts out, either the network guideline for the physical network, or the exempt selling guideline for the retail or sale of the energy to customers. Next slide: Generally, the exemptions from the AER come in three types: deemed exemptions, which you don't have to do anything to obtain the exemption, it just automatically applies if your business or selling situation fits the class; registerable exemptions, which to obtain the exemption you just need to go onto the AER website and register your details; and individual exemptions, which are more specialised situations where a class exemption already pre-organised by the AER won't apply to your situation, so you go through a slightly more rigorous process to get your exemption.

Next slide: We have just talked about the exemption framework and now we are going to talk about entities that are authorised to sell energy. If we talk about authorised retailers, as Rory mentioned before, we are

talking about the retailers you will already know about in the energy market. Now there is a growth in those retailers selling in embedded networks. It has solved some of the problems and created some unique problems as well. In the next slide you will see that as the physical networks have grown, the types of entities selling in those networks have been changing significantly. Around 2017 and 2018 you can see that—this is based on those current exemptions, so it doesn't account for people who have necessarily changed their exemption, but based on those existing in the market now, this is when they came on.

Basically, you can see that authorised retailers are covering more and more embedded networks and really the amount of exempt entities has remained pretty flat for the last few years. That means that basically in embedded networks, it results in a situation where consumers might have multiple different entity types selling to different consumers and multiple frameworks applying to that, which means that one embedded network customer won't necessarily have the same experience as another embedded network customer. Next slide: This slide is a bit over-complicated but it really is just to highlight that if it is an authorised retailer, it's a unique situation because the retailer is replacing you in that three-way relationship we talked about before and there are now two retailers in that triangle and a distributor rather than a retailer, a customer and a distributor.

Next slide: This just gives you an overview of the types of rules that apply to somebody who is in a detached house with their own connection that no longer work if you're an embedded network and you are being onsold by an authorised retailer. Currently the cap in the electricity market, the default market offer, doesn't apply to your contract or billing. Also, the exemption framework, there's been an attempt to design the exemption framework around embedded customers. That no longer applies, so special rules that are designed for embedded network customers no longer apply. Plus some sort of fundamental rules in NECF, which is that three-way relationship, no longer work very well either because of the way that the NECF was written, and it was written at a time when embedded networks didn't exist. Because of the language in the rules, the rules don't apply to off-market or embedded network customers.

The CHAIR: In relation to the information provision, because this is something that I have raised with the Committee, the exempt seller must provide embedded network customers in writing at the start of their tenancy, residency agreement with specific information about embedded networks. Whilst I understand that they are given a document to sign, the information given to them, nowhere does it specify how much they are paying and it certainly doesn't specify that they are paying for hot water.

RORY CAMPBELL: No. We get complaints from customers who have moved into premises because it is close—for whatever reason—and whether an embedded network or not is the last thing they want to consider when they move in. And, yes, they do get a welcome pack. It's that thick and they may or may not read it, they probably don't, and then they're taken by surprise when they try to—it typically comes up when they try to go with the retailer of their choice. They phone up whoever they want to go with and that retailers says, "Sorry, we can't operate. We can't make you an offer because you live within an embedded network."

The CHAIR: We have been trying to express this publicly on social media as well. Just as it is absolutely essential when you buy or lease you understand what sort of rates you are paying—council rates, whether it is ultimately your water costs, electricity costs et cetera—that information needs to specifically identify how much, just as it does in any place that is being sold, any other unit or any other residence being sold, what your actual outgoings are going to be when you purchase it. Currently that is not the case. At the very, very least if people can look at that—and I think that is one of the first things people look at. Especially when they are going to buy into an apartment block, they look now through what the council and the strata fees are et cetera and they make those decisions and they can vary greatly. But if you had that information as well, if someone was to look and say, "And by the way, you could be paying up to $400 a month," or "you are going to pay $400 a month for your hot water," that is going to certainly convince people or otherwise whether or not they are going to buy into a place.

BRYCE PURCHES: Over the years I would definitely characterise many of the complaints we've got to be about information provision, but also that getting the information after you have made the purchase or when you are signing the lease is potentially too late and there's nothing to ensure that information is provided when you are making the decision to purchase or move in, yes.

Mr EDMOND ATALLA: Can a retail energy supplier, like Integral Energy or any retail supplier, onsell their electricity to an embedded retailer and can that embedded retailer onsell it to another embedded retailer before it ends up at the end user, the customer? Is that a scenario? Or is it just the energy retailer to an embedded onseller to the end user? Which is it? Or can it be both?

RORY CAMPBELL: It can be both. You can get the energy retailer who is selling it to the energy network, so the embedded network operator, but they are the same person. That does happen. The most common scenario is an energy retailer is selling to an embedded network who is a different entity. You can have both those circumstances.

Mr EDMOND ATALLA: And then that embedded network onsells it to the end user?

RORY CAMPBELL: Yes.

Mr EDMOND ATALLA: Is that how it works?

RORY CAMPBELL: That's right, yes.

Mr EDMOND ATALLA: So that is where the profit making—is this what we are trying to explore, that the embedded onseller is not regulated and therefore can sell at any price to the end user and that is where the complaints are coming in, because it is too high?

RORY CAMPBELL: That's where the complaints are coming in. Yes, that is fundamentally the problem. There is no competition in an embedded network. In theory, customers living with an embedded network have got the right to choose their own retailer. In practice, that doesn't happen because authorised retailers who are not part of that embedded network don't want to make offers within it. So, yes, the customers are very much captured by the embedded network provider.

Mr ADAM CROUCH: Just further to Ed's question, what we are effectively saying is that this market established itself very quickly over a short period of time and there is no regulation on the prices that the embedded network operator can actually charge the end user.

BRYCE PURCHES: Sorry, I will say it depends on the situation. If that person who is doing the onselling is exempt, then there is an indirect relationship to the default market offer. But what that means is that the cap is the worst market offer—

Mr ADAM CROUCH: It's the least competitive.

BRYCE PURCHES: There's no competitive offer that you can access necessarily. But if it's an authorised retailer, then there is effectively no cap at the moment. But we don't have information on that.

Mr ADAM CROUCH: So what you're saying is [inaudible].

RORY CAMPBELL: No, you're right. There is no regulation of that monopoly price that the embedded network operator can charge.

Mr ADAM CROUCH: So what we're saying is ABC home park estate buys their power from Energy as a lump. The owner becomes the embedded network operator. They then say to all of their residents, "Here's your power bill from the facility that I manage," and they could effectively put their mark-up or whatever that could be on there. This is where the problems are now arising because people are getting stung by a third party, effectively, while buying their power directly from the network. The operator is in between and putting their margin on it, effectively.

RORY CAMPBELL: Effectively, yes.

The CHAIR: Mr Crouch, I think it's also fair to say, with some of the information and some of the submissions that we've received, that in theory the embedded network operator can seek the very best deal from the retailer and ultimately, by doing that, because they have a broad amount of customers wrapped up, they are going to use more electricity than the normal average household would use.

Mr ADAM CROUCH: It would be a volume deal.

The CHAIR: Some of the submissions are saying, "We can get a better deal." But what we're also seeing the sneaky side of it, that they're not just selling energy. They're also including hot water, which is the issue that we've got—that they're adding in there as well—which is putting it up excessively. The price for hot water, incredibly, is more than the electricity would be. As I said, if you boiled the kettle and bathed yourself in it for a year, you wouldn't pay as much for electricity as you would pay for hot water.

BRYCE PURCHES: Yes.

Mr ADAM CROUCH: Ray, I suppose the fact that we've just ascertained is that if you live in one of these tenancies, if you try to ring an energy provider to do your own deal, they will look you up and if there's an embedded network deal done, they, as a provider, will decline to provide you with a price. So the ability for the individual to get a competitive price themselves doesn't exist.

RORY CAMPBELL: That's correct.

The CHAIR: Yes.

Mr ADAM CROUCH: Got it.

The CHAIR: The problem is that once the embedded network—I'd like to explore this a little bit more. In terms of the ultimate contract that is issued by the developer, it seems that the embedded network operator is gifted that in perpetuity because that particular apartment block or retirement village et cetera cannot get out of that in any way, shape or form. Ultimately the strata manager or the board of committee on behalf of the people can do a whole range of things through their by-laws—change their insurance and change a whole range of things. Why don't they have the ability to ultimately change this? Of course, the embedded networks that are providing the infrastructure up-front wouldn't want that to happen because ultimately they've had an outlay and they haven't got back their coin that they're expecting to get in perpetuity. Ultimately, you're trapped in a situation where you're damned the moment you sign up for it because you can't get out until such time as you onsell the apartment, unit et cetera or go and lease something else.

BRYCE PURCHES: I'm going to race through the next few slides because the real point here is that depending on—we've pointed out that there can be multiple different sets of rules that might apply, depending on who's running the network and who's selling you the energy. The point of this is just to show that the consumer protections or the rights that you enjoy will change, depending on your situation. If we go to the next slide, we'll see that's the traditional standalone house that's got an Ausgrid or Endeavour or Essential connection. Go to the next slide and you'll see ticks and crosses, depending on who's doing the selling. In the next one, it's an authorised retailer. We'll go to the next slide as well. Rory, you may want to talk to this. I thought we'd just point out what we know has been going on behind the scenes in terms of what attempts have been made to do reviews or reforms in this area.

RORY CAMPBELL: Yes, I'm happy to take over. In 2015 embedded networks were all changed from the AEMC. A new accredited provider role was created—the embedded network manager. That's attempting to introduce some competition in embedded networks. Moving on, in 2017 the AEMC launched a full review of the regulatory arrangements for embedded networks. They found that there were problems within the existing two-tiered framework—customers of embedded networks versus customers of normal retailers. The problems included substantially different obligations in providing network and retail services; differences in consumer protections, which in the last few slides we glossed over and looked at; and the differences in compliance obligations such as reporting and enforcement consequences from the AER for not doing what you're supposed to do.

They found that the embedded network customers have limited access to retail market competition. There were significant practical barriers to customers accessing retail market competition. So embedded network customers have limited ability to change supplier if they're unhappy with the price they're paying or the level of service they're receiving. They further found that the NECF framework resulted in difficulties achieving appropriate consumer protections from exemption conditions. AER considered it didn't have the power to enforce exempt networks to do things. We've talked before about the tripartite relationship and how that falls over. Some embedded network customers are left disappointed or frustrated because they don't receive the same level of service or reliability. Just to clarify, it's not just about price; it's about power systems and reliability of supply as well. That sometimes is a problem within embedded networks. Also, it's the smaller and more vulnerable customers that are most affected by the gaps in consumer protections. Some of these embedded networks are in the homes of some of the most vulnerable people.

The AEMC recommended that the framework was no longer fit for purpose because they could see the growth as well—that was five years ago if you recall—and the identified problems remain worthy of changes to the laws and rules. It is in the long-term interest of consumers that the embedded network customers should have the same right to choice of retailer as everyone else and the consumer protections afforded to retail customers under the NERL and the NECF. They said everyone should have the same rights and consumer protections, and the same right to competition. So what happened then? The AER issued an updated retail Exempt Selling Guideline. They did introduce some extra rights for customers. As we've illustrated, the framework isn't set up for it so there was limited scope to what they could do. Importantly for us, they gave customers the right to come to EWON if they had a complaint, which was good. But there's a whole bunch of other things they still can't do.

The AEMC went further from their 2017 review. They drafted up a package of amendments to the rules and the law, and drafting instructions, and sent those proposed reforms to what used to be called the Ministerial Council on Energy—the Energy National Cabinet Reform Committee—to finalise the position. The proposed reforms included a bunch of things, but essentially it was all designed to do those two things that I talked about before, which is get competition within embedded networks and give embedded network customers the same rights as everyone else. Just before I go on, those recommendations have been considered by all the State Ministers and Federal Minister ever since. So it's been three long years sitting with the Ministers.

The CHAIR: Sorry, can I ask you to go back? I missed something in that last sentence.

RORY CAMPBELL: The AEMC can't make rules and change laws or change regulations. It can only recommend that others do so. So the AEMC review can't do anything. It simply made a recommendation to the Ministers, the ministerial council, "We recommend you go away, agree on this package and then put it back to us as a package of reform and implement it." The Ministers, partly because they've all had—any reform in the energy market requires the agreement of all jurisdictions, including the Federal one, and they've been unable to do so.

The CHAIR: On that point, where is Victoria up to at this point in time? It's my understanding that something substantial changed very recently with embedded networks. I think Victoria actually went to an election with a promise that it would—

RORY CAMPBELL: I'm not an expert in Victoria, but I understand they've effectively banned embedded networks, haven't they?

BRYCE PURCHES: I could be wrong. My understanding, though, is that they've been looking at banning the ability for developers to enter into those long-term contracts that create the embedded networks. I lack an understanding about what they're doing with legacy embedded networks that are already in existence.

The CHAIR: Great point, because that's where I fear that one of the impediments is, probably on behalf of all State governments at this point in time. There are certain businesses that have been built around let's call them loopholes in the regulation, and for those particular businesses at this point in time, a government is not predisposed to retrospective legislation and then ruining the business case, which could affect employment et cetera or businesses collapsing at a time when you certainly—you wouldn't want to be doing it at any time, but certainly it's something that you wouldn't want to be happening currently in light all the problems that we've got globally. That's where I see that there's a huge impediment going forward.

So if Victoria has actually banned embedded networks, I wonder what has happened in relation to the legacy networks and where they operate from here. Like I say, I think if they've gone forward. I was actually discussing this before you came in. I think it's something that we need to understand and explore going forward. Because if they have done that, then perhaps maybe we can go forward, but I just also wonder about the implications and what it means. But it's also going to have implications to people who are stuck in there, if we do make changes, and to the legacy, which ultimately could affect the price of units. It has a significant tail and flow-on effects.

RORY CAMPBELL: Unfortunately we're not experts in what happened in Victoria because Victoria hasn't signed up to the NECF. Even though it's a national energy consumer framework, it's national except for Victoria, so they've got their own framework, and we don't need to understand it.

Mr ADAM CROUCH: Gentlemen, can I just clarify what you just said? Does that mean that every single State and Territory in Australia has signed up to NECF except Victoria?

RORY CAMPBELL: I'm not sure about Western Australia, to be honest. They've got their own system. But, yes, Victoria's certainly not part of the NECF.

Mr ADAM CROUCH: Right, so it's not really national because at least one of the second-most populous States in the country isn't signed up to it.

RORY CAMPBELL: No. As I said before, despite having the word "national" in all their titles—the National Electricity Market, the National Gas Market—they're not national markets; they're State-based markets.

Mr ADAM CROUCH: So what we just said before about how you had to have concurrence with every State to actually implement this change, technically the States can still go it alone because it's national in name only. Is that what we're saying?

RORY CAMPBELL: I think you're stretching my knowledge here.

Mr ADAM CROUCH: You can take it on notice.

RORY CAMPBELL: I'm not entirely familiar with who has to agree to what in the ministerial council. Because that reform package wouldn't affect Victoria, for example, I suspect the answer is it wouldn't require Victoria's assent or possibly Western Australia's because they've got their own market, or possibly even the Northern Territory's, but I wouldn't swear to that. I'm not an expert in this, I'm sorry.

Mr ADAM CROUCH: Mr Chair, that could be something we should try and get clarity on because if there's a framework allegedly being national which may inhibit New South Wales making decisions of import about embedded networks, which we're bound to, potentially, because of a pseudo-national agreement, then we need to find out whether that's a potential roadblock to us implementing change in New South Wales, which States like Victoria and Western Australia aren't bound by.

The CHAIR: I agree 100 per cent with you and it's why I derived some sort of sense of safety by virtue of the original comment that said it was national only in name, believing that every State must have had their own regulations. But you're actually saying the opposite to that—it's just that some other States aren't signed up to the NECF.

RORY CAMPBELL: Even then, New South Wales is signed up to the NECF but the New South Wales Government implemented its own set of regulations and sub things. So there are some things that only apply to New South Wales because the New South Wales Government saw fit to do that, and the other States have presumably picked and chosen some of their own things they want in and out as well.

The CHAIR: I think we need to get clarification in relation to that.

Mr ADAM CROUCH: Yes. One of those comments earlier was about how we haven't been able to move forward because we couldn't get agreement with all of the parties involved. It sounds like all the parties involved don't actually have to potentially agree.

RORY CAMPBELL: Yes, that's right. I'm not 100 per cent sure of who precisely does have to agree.

The CHAIR: We'll seek some clarification on that going forward.

RORY CAMPBELL: But I guess the key point there is that that reform package is stalled within the National Cabinet Reform Committee. If we can move on. The Federal Department of Industry, Science, Energy and Resources, in its 2022 review of the default market offer [DMO], has recommended that they work out how best to extend price cap protection provided by the DMO to customers in embedded networks. We've had discussions with them, and they were fairly confident that would go forward. There has been since no action there, but there's been a Federal election in the way, so hopefully they're still going ahead with that. The AER has reviewed the retailer authorisation and exemption review. They are currently doing that, so there are no firm recommendations there. They also reviewed the two guidelines.

Now we'll get onto the second part of our presentation, which is the specific problems faced within the Residential (Land Lease) Communities Act. This is a New South Wales-specific problem caused by the New South Wales Residential (Land Lease) Communities Act. This is a subset of embedded networks, if you like. All these customers live within embedded networks but not all embedded networks have this problem. It's a specific set—mostly residential parks, caravan parks and so forth. Do you want to talk to that, Bryce?

BRYCE PURCHES: Sure. Because land lease communities or residential parks have been around a lot longer than the NECF and there have been different Acts or codes applying to the sale of electricity in residential parks, this sort of outlines the current situation where, generally, if you're the operator of a land lease community, you would be following the Australian Energy Regulator's Exempt Selling Guidelines—so the rules in that would apply to the sale of electricity in the park or community—but also the Residential (Land Lease) Communities Act also applies. So there are specific rules that apply within the Act and the regulations.

Specific to the regulations, the reason they're important is that in a lot of the parks and land lease communities, depending on how old they can be, sometimes the supply to each of the customers or residents isn't necessarily always the same quality of supply that you'd enjoy at most homes that are individually connected to the network. So the regulations that have been written give them prescribed discounts on how much they should pay based on the quality of supply.

If we go to the next slide, there was a Supreme Court case in 2018 where section 77 (3) of the Land Lease Communities Act was explored because there was a dispute about the amount that should be charged. The court did make a decision around how much should be charged and found that the operator does not have the right to charge a home owner more than the operator has been charged for the electricity consumed by the home owner—more or less saying that you can't be making a profit from the energy you buy at the parent connection point and onsell to the residents and home owners.

If you go to the next slide, I will just quickly explain that this was largely seen as very positive for home owners because they could get energy at cost from the operator. However, it wasn't that simple because it did cause further disputes. It caused further tribunal decisions. It really left, at the end of the day, both sides fairly unsatisfied, depending on who you talk to. It also resulted in a number of land lease community operators deciding in the end to outsource the sale of electricity to authorised retailers and then this whole clause and court decision didn't apply anyway. If we go to the next slide, the situation is if an authorised retailer moves in and starts selling in a land lease community, you'll see that all of that regulatory framework I referred to before suddenly doesn't apply anymore and it's just the National Energy Retail Law that applies.

RORY CAMPBELL: And that's because the wording of the Act specifically says the operator of the park can't charge more than, whatever. It doesn't say what someone else can charge in that circumstance. So if the park operator has outsourced that function, it doesn't say what the outsourced person can charge.

The CHAIR: My God. Mr Crouch, did you have a question?

Mr ADAM CROUCH: Yes, quickly. If a park operator outsources to a third-party electricity provider, could they receive a payment from that provider as part of their deal? Obviously, what they can't do is charge extra if they are providing themselves, but say Adam Crouch decides to sell it as Adam Crouch the home park owner, sells it to a third party, says to this third-party electricity provider, "I'll give this to you, you give me X in return and you go and deal with the residents." Is that possible?

BRYCE PURCHES: We don't see any of the commercial agreements in these situations.

Mr ADAM CROUCH: So that could be happening?

RORY CAMPBELL: That's impossible for us to comment on. I'll be diplomatic.

The CHAIR: Just to go a little bit further—and you beat me to the question, Mr Crouch, because that is exactly what I was going to ask—if you come back initially to the fact that the law states that the residential park owner can't charge over and above what other people are paying outside, so that gets everyone a—

RORY CAMPBELL: It's what they pay at the gate.

The CHAIR: So they are not allowed to charge any more. The question is, why would they then outsource it to another operator? Why would they do that if they weren't getting a kickback? The other question that arises from that is, coming back to developers entering into contracts with embedded networks and ultimately the embedded networks providing the infrastructure in their developments to lower the cost for development, what is the difference? They are both receiving a kickback. Money is changing hands, whichever way. Ultimately, why would you do it?

RORY CAMPBELL: Could I just temper that a little?

Mr ADAM CROUCH: Mr Chair, sorry to interrupt, could there be undisclosed commissions as well?

RORY CAMPBELL: I would say that if I was operating in that space and I have to go to the AER and get an exemption, I've got to join EWON and pay EWON membership fees. The energy market is hard. I can quite see a circumstance where a park operator would go, "You know what? I don't want to do this anymore. Adam Crouch has turned up and said he would take it off my hands. Go for it, mate." There are non-commercial drivers to make those decisions.

The CHAIR: A further question to that, have you seen any evidence in that situation where the contracts have been handed over to the third party, to an embedded network, have you seen or are you receiving any complaints from owners where their electricity prices have increased through that particular process?

RORY CAMPBELL: Yes, we have.

BRYCE PURCHES: I would say that we've had complaints, multiple complaints where they're unsatisfied with the situation.

The CHAIR: After it has changed?

BRYCE PURCHES: Yes.

RORY CAMPBELL: Yes, and the change was very much in the case of, "I'm now your new energy provider. Here is what you will now pay me."

The CHAIR: To the Committee members, they have already had complaints that there have been increases in those particular situations on behalf of people and what they were previously paying for energy. I think, Mr Crouch, you and I can rest our case on what we alluded to previously. Whenever there is money involved, it's only a rort if you're not involved.

BRYCE PURCHES: If we go to the next slide, this just covers the impact of when that third-party situation happens in a land lease community. But I will just point out that one of the big issues that we probably have got complaints about and will continue to get complaints about in this situation is that where the resident or home owner doesn't enjoy that same quality of supply, they get less amperage, they seem to be no longer entitled or it is very unclear how they receive those discounts outlined in the regulations. So they are more or less not getting that consumer protection any more or it's unclear how they should be getting it. The next slide: This is really simply just copying and pasting for you the recommendations relating to this that came out of the statutory

review in November 2021, which is already with Parliament, I understand. The next slide: This is gas embedded networks and hot water. Rory, do you want to take this?

RORY CAMPBELL: Yes. This is a subset of this and I will preface this discussion by saying that if we fix all the problems here for hot water embedded network customers, all we would be doing is giving them the same rights of every other embedded network customer in New South Wales. We would be dragging them up to that level we've already I think established is not sufficient. There are specific problems within hot water embedded networks that you will see make them even worse off. This is a standard gas supply to an apartment building. Gas comes in at a master gas connection, water comes in, they're both measured. There's an energy retailer who does the calculation, works out how much gas and how much hot water each customer uses, does a calculation and bills the customer. Traditionally, that energy retailer was competitive. Each customer could choose their own energy retailer.

BRYCE PURCHES: Just to point out—and I apologise for how complicated it looks but it's unfortunately the reality in this situation—but just to make it very clear, the distributor, in this situation the gas distributor that supplies all households in the distribution area, they send the meter data to the retailer. So there's no third party involved in this situation, and I think we understand that it is around about 250,000 households in New South Wales have had this situation for decades. We have had this situation where hot water has been supplied but it has been billed for as energy basically.

The CHAIR: So that has existed?

BRYCE PURCHES: That's existed for decades, yes.

RORY CAMPBELL: It's a function of the fact the building has a centralised hot water system that heats all the water for all the customers.

The CHAIR: That is if a building has a centralised hot water system. Come back to the residential home, you've got water, you've got electricity, you've got gas. The consumer probably has the choice, maybe not so much choice with gas, but has the choice and ultimately gets billed separately. We move into an apartment, let's call it an apartment complex or residential retirement village, whatever the case may be. They've got electricity that could be provided by an embedded network, they've got gas that ultimately in the past used to be billed directly to them to each—

BRYCE PURCHES: As gas.

The CHAIR: As gas.

RORY CAMPBELL: Yes, so that is the crucial bit. Because the customers were being billed for gas, all the protections of the NECF, the National Energy Consumer Framework, applied. The situation you are now talking about is customers not being billed for gas—and we will get to this in a bit more detail—they're being billed for hot water.

The CHAIR: And that's reflected in their bills?

RORY CAMPBELL: Yes. Their bill says cents per litre or cents per kilolitre, or whatever it happens to be.

The CHAIR: Hot water?

RORY CAMPBELL: Because they're being sold water; it's not energy, and the energy provisions don't apply. That's the fundamental problem.

BRYCE PURCHES: I think one of the ways to describe this is that hot water meters that measure your hot water consumption are not new, but what's new is that for decades the gas distributor has actually owned and maintained those hot water meters and billed it to your retailer as gas usage. So even in an apartment block with that centralised hot water system, you've always just had a gas bill and an electricity bill.

The CHAIR: And a water bill. That's what I'm getting at.

BRYCE PURCHES: And a separate water bill, though that wouldn't be part of your energy usage.

The CHAIR: Right. So it would have been wrapped up. I suppose there would have been instances where there could have been an electric hot water heater, that is what I guess I am getting around to, as opposed to a gas hot water heater?

BRYCE PURCHES: There have been a number of apartment blocks that did have centralised hot water systems based on electricity and Ausgrid was responsible for the metering of those, in the situations I'm aware of. Those may no longer exist, from memory. But mostly it has been a gas product and, essentially, even if there's

been a hot water supply for a centralised hot water system, it's always been managed by either an authorised energy retailer and your gas distributor. The big change came in 2015. If we go to the next slide: In 2015 the gas distributor, at least Jemena Gas Network, introduced a network tariff for boundary metering, which basically meant that they were no longer looking after the meters at each apartment, they were only looking after the meter at the connection to the main residential building. A third party took over the operation of the metering and the billing for the hot water essentially. That's what's really created these gas embedded networks.

It's not necessarily really a technology or an infrastructure change; it's an "on paper who's responsible for it" change, and who's doing the selling. Essentially, what we noticed after that change came in and there began to be private gas embedded networks is that the sellers started to sell hot water in litres of water rather than charging people for gas anymore. So instead of having your electricity and gas bill, you now had an electricity/gas bill and hot water bill. But also you were still paying your water bill separately to the water supplier—Sydney Water, Hunter Water.

The CHAIR: That's an interesting point that you make there. Jemena stopped at the boundary and ultimately embedded networks commenced almost at the same time. Does Jemena have any under its company? Does it have any links to embedded networks? The only reason I ask that is because, in terms of WINconnect, they were actually purchased by Origin Energy.

RORY CAMPBELL: Origin is part of the competitive market and is fully competitive. They've got lots of competition. Jemena is a regulated monopoly that can't do that. The AER has oversight over Jemena as a monopoly. What they can and can't do and the competitive services they can offer are fairly limited and oversighted by the AER.

The CHAIR: I just wondered why all of a sudden they would come up. Mr Crouch?

Mr ADAM CROUCH: We've got an interesting situation on the Central Coast because the council is the water authority. For instance, we've got a residential park. What we're saying is the residential park owner could be getting charged extra for an embedded network on their electricity, potentially. So they're going to get a separate water bill from council because they're the water authority. But if there's an embedded network with the gas system, not only will they be paying for total gas usage but they could also be paying for hot water consumption on top of their gas supply as well, potentially.

The CHAIR: That's what I have. That was the issue that was raised with me. The answer to that is absolutely, yes, that's the case. If I come back to the comment that was made—I go back to pre-2015. When residents in apartment buildings and retirement villages were getting charged for electricity, water and gas, those charges were very fair. [redacted]. They were very fair and to this day are still very fair. If you move to where we are now with some of the issues—and I have specific bills from dozens of residences from apartment blocks all over my electorate, particularly in Kellyville and later ones that have been built—the specific hot water charge is exorbitant to the point of $9,000 over 14 months. It varies substantially but on average, from what we've seen, a hot water charge alone has been up to $400 per month per apartment block over and above what they're already getting charged for their gas/electricity and water. So it's hardly fair any longer.

BRYCE PURCHES: From EWON, the problem that we've seen that has come out of complaints is also that once you're selling hot water and not gas then a raft of consumer protections or rights that you might have enjoyed as a customer no longer apply. If you're an energy customer under the energy framework, there are rules around transparency of how you get billed and all different sorts of rights you have to review bills and to ensure that there are actual readings of the meters that you're being billed on. All these sorts of rights that you have no longer apply because there aren't specific rules about selling hot water. The other difficulty that EWON has had is that it's very hard to see really how the price is based on water, given that it seems to us that, at least to our knowledge, the water is supplied and paid for separately by most stratas. So really, even though water is getting inputted to that system, it is being paid for separately. So the central input seems to be energy still, or gas.

RORY CAMPBELL: Yes, it is.

The CHAIR: One of the acronyms—which I forget, I don't think it's AER—made a finding that the charging for hot water was outside the AER guidelines.

BRYCE PURCHES: That's correct, yes.

RORY CAMPBELL: That was the AER, yes. Because they're the Australian Energy Regulator and they decided hot water wasn't energy, it was water, and therefore it's not—

The CHAIR: Which ultimately we looked at and said that, to us, just as laypeople, is a sort of fait accompli—you can't charge for hot water—but it continues to go on. [redacted]

[redacted]

RORY CAMPBELL: [redacted]

The CHAIR: That's right, and so am I because ultimately at this point in time—just to bring this all back—we've now got some legal precedents in terms of the land lease communities and we've got a decision by NCAT. Ultimately, we can now go back to all customers and say, "If you've got a bill for hot water, you should immediately go to NCAT." NCAT has set a precedent by saying, "You shouldn't pay for hot water." Therefore, with everything that we've said, basically with the work of this Committee going forward, they are some pretty significant rulings. Change needs to be made, but at the very least we have the opportunity to be able to give people some recourse by going back and challenging it through the responsible body.

RORY CAMPBELL: They've always got the right to go to NCAT. The problem, as I understand it—I'm not a lawyer, I'm not an expert in this—is that an NCAT decision isn't binding on subsequent people. So the next customer who goes in will still have to go to NCAT and get a different [inaudible].

The CHAIR: I agree with that. But ultimately I think it set a precedent by virtue of the fact that NCAT has already made a decision that you shouldn't pay for your hot water.

RORY CAMPBELL: Yes.

The CHAIR: Ultimately, we've been able to provide that information now on behalf of a host of people who were suffering and going through it. I know some people have come to you and they've gone to Fair Trading. They've gone everywhere that they can and they have had no relief whatsoever. Basically, through this role that we've played, which has been very public, and now ultimately the inquiry by the Committee, which is fortuitous and very lucky, I think at least we can give them some satisfaction that they can get a decision if they go through the process of NCAT, which is a reasonably cheap way of going forward to save them a significant amount of money.

RORY CAMPBELL: It's certainly better than nothing, but ultimately they still don't have the same consumer protections as customers who are buying energy.

The CHAIR: I agree. I believe the Residential Tenancies Act 2010 states that it's an unfair charge on behalf of tenants.

BRYCE PURCHES: I think also that highlights, though, that there are different groups of customers in this situation. Some are home owners and some are tenants, so different rules apply. Some will have access to the tribunal as an avenue; others may not. If you're paying as a home owner rather than a tenant, the same rules and avenues for dispute resolution won't necessarily apply. If you go to the next slide, this is really just a table—again complicated—that just summarises the two different groups. These are all people who live in apartment buildings. But there are just two different groups that have emerged: essentially, those that are in private embedded networks for gas, including charges for hot water, and those who are in buildings with centralised hot water systems but where the metering is provided by the gas distributor and charged by an energy retailer. There are just two different groups with two different sets of rules. Underneath, the fine print is really just to give you information about how the way that they're charged for their hot water usage or their energy usage can influence what rules apply to the way that their bills are worked out.

RORY CAMPBELL: And the seller has the sole discretion: Do I sell hot water to my customers? Do I sell it in cents per megajoule or do I sell it in cents per litre? If they choose one, a bunch of protections apply. If they choose the other, they don't. It's solely at the discretion of the seller, so that's the crucial point.

The CHAIR: That's the loophole. I guess if you look at those particular numbers of households, the 11,000 and 64,000 in consumer group two, we could assume that they are the ones that have grown primarily from 2017 to where we are now?

BRYCE PURCHES: Yes, and we've got a slide showing the growth, if you go to the next slide. So this is just the consumer protections. We can skip over this. The next slide will show you. There is no access for us to data. We've asked and that's how we've got the information and this just shows you. So the years that don't have data—it's just that we don't have information for those years. It just shows you this is that second group where they're in private gas embedded networks and, obviously, just like electricity embedded networks, really what fuels it is how many apartment buildings are going up at the time.

RORY CAMPBELL: This has been acknowledged as a problem. In a consultation paper in December 2021, the New South Wales Government asked the question, "Should we require the sale of hot water to be billed in the underlying source of energy, either cents per megajoule or cents per kilowatt hour?" They asked the question, and it's good to get feedback. They recognised that that could be implemented in New South Wales laws, and other options would require a national solution which would go through the Ministers as I talked about before. That paper was published in December 2021—no action as yet. We understand that it is being considered—that particular solution—and the AER is reviewing the Exempt Selling Guidelines. We recommended that the AER consider making a retail exemption class for gas onselling as water. Just to clarify, it's not just hot water. Some customers are being billed for air conditioning using the same methodology as chilled water or whatever. It's the same thing.

The CHAIR: We've heard that with WINconnect in Queensland.

RORY CAMPBELL: It's not as common in New South Wales. It's more a hot water problem. But the AER considers the sale of bulk chilled or hot water is unlikely to constitute the sale of energy and didn't propose to determine a new class of exemption to regulate the sale of either bulk or hot water in the guidelines. I just stress that the solution proposed by the New South Wales Government would simply raise hot water embedded networks to the same level as other embedded networks, with all the fundamental problems that those embedded networks also have, which would certainly be better than nothing.

The CHAIR: Yes, that's right. It's like putting a bandaid on open-heart surgery.

RORY CAMPBELL: I think that's the end of the presentation, isn't it?

The CHAIR: In term of EWON's role on this particular issue alone, do you advocate to specific Ministers as to what should be done or have you advocated to specific Ministers, or are you just providing the information that you've received from customers?

RORY CAMPBELL: We're providing information about the regulatory gaps. You'll be hearing from our Ombudsman, who's coming in to be a witness to this Committee next Friday. She's better able to answer that question, I think. We've been identifying this as a problem since 2016 and we're just happy to have people listen to it and agree that it is a problem and try to come up with a solution.

The CHAIR: The Committee members who are out there, I know you've got your heads completely around embedded networks now. It's great that you've taken that on board and you'll be experts in the future. I'll be asking you questions following the briefing, so I hope you wrote some copious notes. Do you have any more questions for our people here from EWON?

Mr GEOFF PROVEST: No, I don't. I found it very informative, Ray. It was a good presentation [audio malfunction], giving me an understanding of where the issues are.

The CHAIR: I was just going to say, for the benefit of the participants, Mr Crouch represents the Terrigal electorate, Geoff represents the Tweed electorate, as he often lets us know, and a lady on the Committee, Tamara Smith, represents Ballina. They all have land lease communities, so we all just landed together on a committee. I raised this particular issue. They came out and they're two very, very specific issues.

RORY CAMPBELL: They're related, yes.

The CHAIR: Intrinsically linked together.

RORY CAMPBELL: The Reckless case, you probably saw, was straight out of Ballina, so she would have heard of it.

The CHAIR: Yes, that was interesting. I sighted that. Yes, that's great. Mr Crouch, I think you had a question.

Mr ADAM CROUCH: Not so much that but more of a statement. It's interesting because we'd sort of pigeonholed this toward land lease communities, but when you look at that, there's literally thousands of people living in apartments as well, who are potentially affected by this and have no real cover or no real legal framework or oversight to protect the requirement. So it's much broader than just the land lease communities that I had thought were going to be the major people impacted by this. As you gentlemen pointed out, the more apartments that are getting built—and you can see that with the rise in the number of operators, I suppose, that have come into this. Thank you. It was very informative. I really appreciate it. Sorry for all the questions in between but sometimes it's best to ask them while they're fresh in your mind.

RORY CAMPBELL: Absolutely. Happy to answer them.

The CHAIR: I guess the last question that I have, and maybe this will be answered in the public hearings, is there a list of recommendations that EWON would make to us about going forward, taking on board everything that's been said? Ultimately, rather than seeing 30 recommendations, it would be nice to nail down maybe half-a-dozen that are very, very important that you guys think that the Committee should take on board.

RORY CAMPBELL: Yes. I understand Janine Young, our Ombudsman, when she comes in next Friday, will be doing just that.

The CHAIR: Fantastic. That's perfect. That's great; you have covered it all. If there are no further questions, we are going to let these people get back to the pub—I mean, ultimately let them get out of Parliament. On behalf of our Committee, we appreciate greatly your time and your information. Hopefully we can make inroads to making some changes. Thank you.

The Committee adjourned at 15:08.