



Energy & Water
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Embedded networks in NSW





ACKNOWLEDGEMENT OF COUNTRY

I acknowledge the Gadigal people of the
Eora Nation, the traditional custodians of
the land we work on every day.

I respect their elders past and present, and
all Aboriginal people, especially those we
touch base with as part of our work.



> Energy market bodies

- **Australian Energy Regulator (AER):** Statutory body that regulates wholesale electricity and gas markets in (primarily eastern and southern) Australia.
- **Australian Energy Market Commission (AEMC):** Statutory body that develops the rules that govern the Australian energy and gas markets, conducts reviews and provides advice to government about how the markets should operate.
- **Australian Energy Market Operator (AEMO):** Statutory body that operates the systems that allow energy to be generated, transmitted and distributed in Australia.

➤ The regulatory frameworks

National

- **National Energy Customer Framework (NECF):** the laws and rules that have been established to protect small energy customers. These laws and rules include:
 - **NERL:** National Energy Retail Law
 - **NERR:** National Energy Retail Rules
 - **NEL:** National Electricity Law
 - **NER:** National Electricity Rules
 - **NGL:** National Gas Law
 - **NGR:** National Gas Rules
- **AER Exempt Selling Guideline:** sets out the AER's approach to retail exemptions and includes a list of conditions exemption holders must comply with.
- **AER Network Exemption Guideline:** sets out the AER's approach to network exemptions. It also sets out the conditions exemption holders must comply with.
- **(Gas) Retail Market Procedures:** published by AEMO to manage the effective operation of a retail gas market that is subject to the National Gas Law (NGL) & National Gas Rules (NGR).



The **Rules** in NECF
are equivalent to
NSW regulations

> The regulatory frameworks (continued)

New South Wales

- **Gas Supply Act 1996 (NSW) & Regulations:** regulates gas reticulation and gas supply in NSW.
- **Electricity Supply Act 1995 (NSW) & Regulations :** regulates the generation, transmission, distribution and use of electricity in NSW.
- **Water Industry Competition Act 2006 (NSW) (WICA) & Regulations :** Embedded network hot water customers are not covered by the consumer protections provided within WICA. The Regulations specifically exempt entities selling heated water in residential developments from WICA obligations.
- **Residential (Land Lease) Communities Act 2013 (NSW):** regulates the operation of residential land lease communities (residential parks) in NSW.

> Some important terms & acronyms

- **National Energy Market (NEM):** The NEM is a wholesale market through which generators and retailers trade electricity in Australia.
- **Electricity Distributor or Network:** The three electricity distribution districts, Ausgrid, Endeavour Energy, Essential Energy, outlined in Schedule 3 of the *Electricity Supply Act 1995* (NSW). Each electricity distributor is licensed under the Act and registered with AEMO.
- **Gas distributor or network:** the owner and operator of the network that delivers natural gas to homes and business premises in NSW. Authorised under the *Gas Supply Act 1996* (NSW) and registered with AEMO.
- **Embedded network:** private energy network connected to the licenced network and/or NEM at a single point, usually called the 'parent connection point'. An embedded network operator, owner or manager on-supplies energy to multiple customers within the embedded network. Customers are supplied energy at a 'child connection point'.
- **On-seller/seller:** The person who buys energy at the parent connection point for an embedded network and then on-sells that energy to customers at child connection points.

➤ Embedded network entities and energy market participants

- **Financially Responsible Market Participant (FRMP):** The entity registered with AEMO that is financially responsible for selling the energy to a customer at a connection point to the NEM (usually an *authorised energy retailer*).
- **Authorised energy retailer:** Under the NERL, a person authorised by the AER to sell energy to people for use at premises. The energy retailer can act as the FRMP at the parent connection point, or as an on-seller to customers at child connection points.
- **Exempt seller:** person or business who is exempt from applying for an authorisation for selling energy to another person for use at premises. Most categories of exemptions (class exemptions) set by the AER relate to on-selling in embedded networks.
- **Exempt network (operator):** person or business who gains an exemption from the AER from registering as an electricity network service provider with AEMO. The class exemptions created for the framework relate to operating embedded networks.
- **Embedded network manager (ENM):** an accredited service provider whose role is to perform the market interface functions for embedded network customers and to facilitate their access to electricity retail market offers.

Topics

1. Electricity Embedded Networks
2. Residential land-lease communities
3. Gas embedded networks (& hot water)



Electricity Embedded Networks

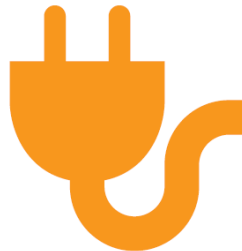




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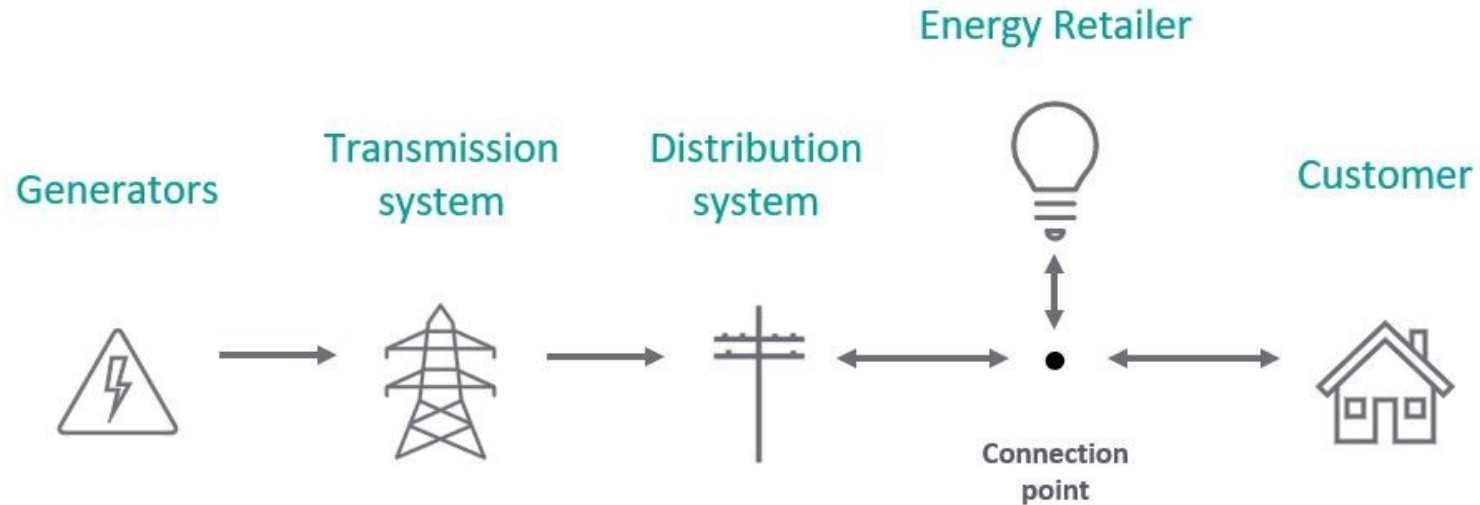
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1. Defining the regulatory problem created by embedded electricity networks

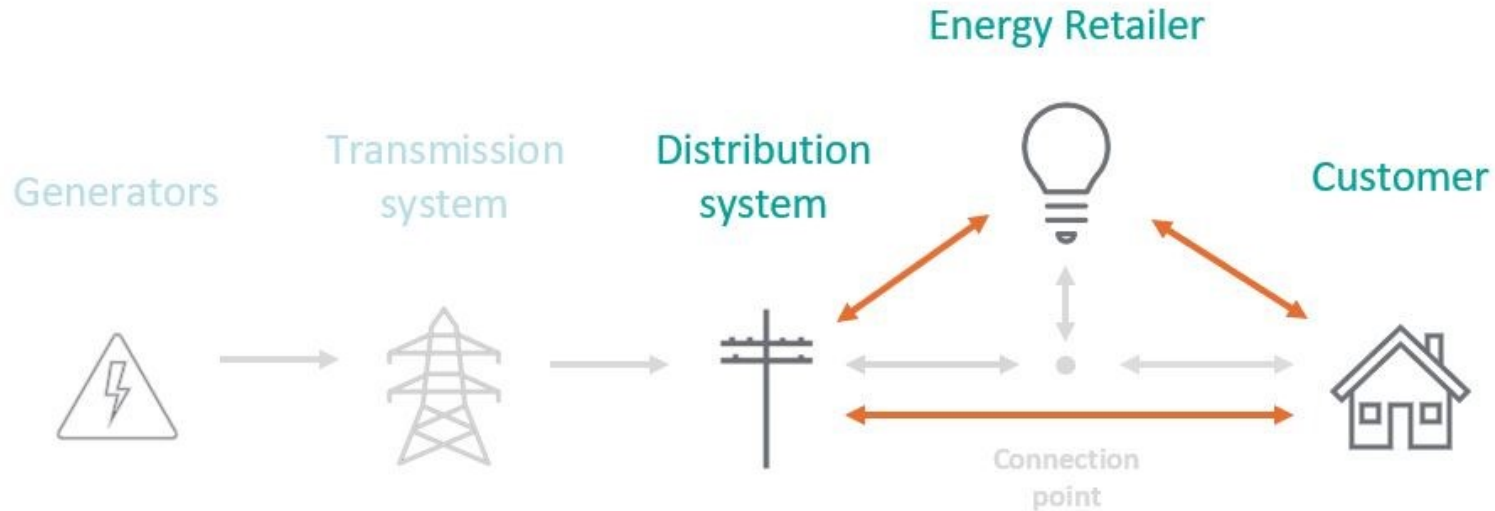




> Energy supply to a 'traditional' grid-connected electricity customer

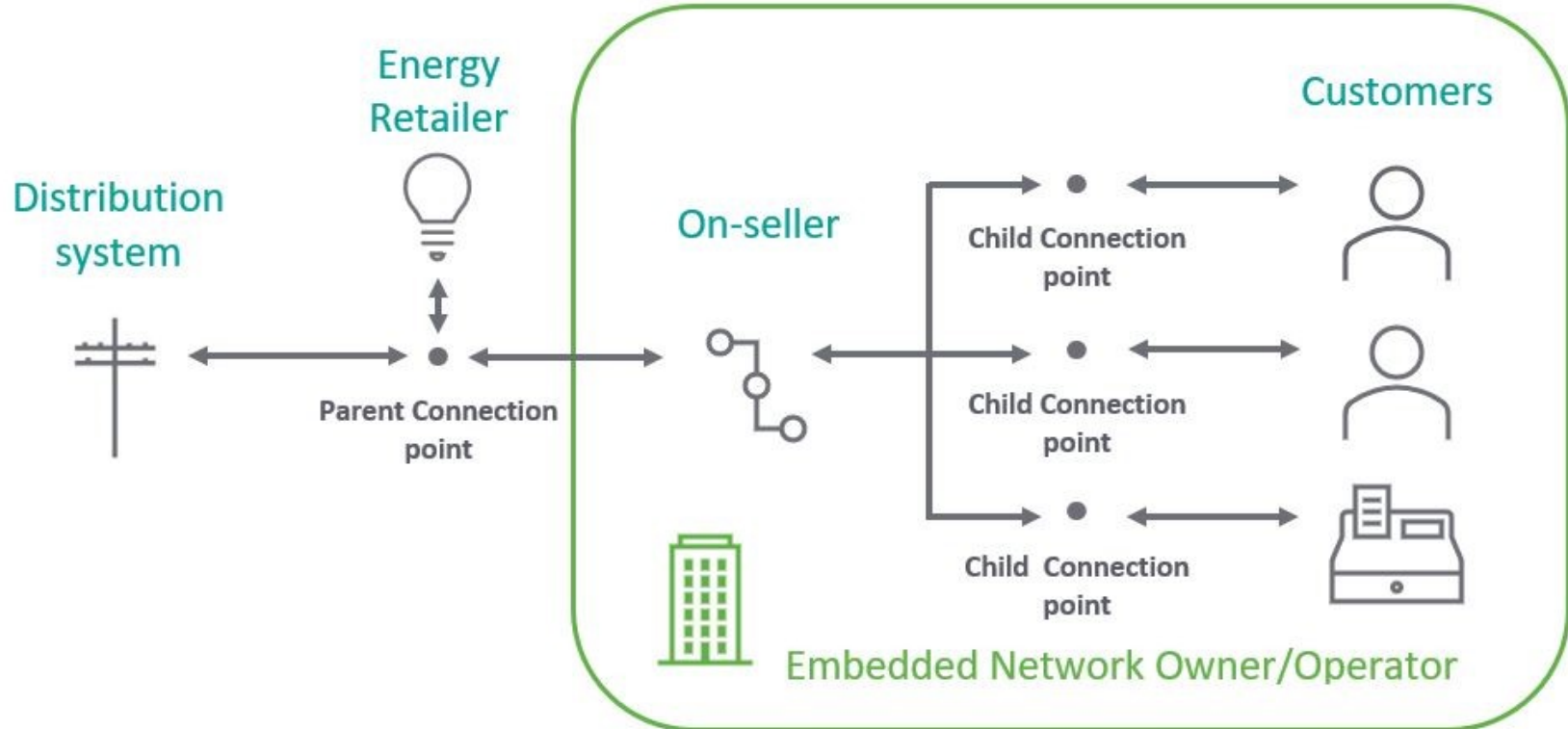


- The **National Energy Customer Framework (NECF)** is based on the relationship between network, retailer and energy customer

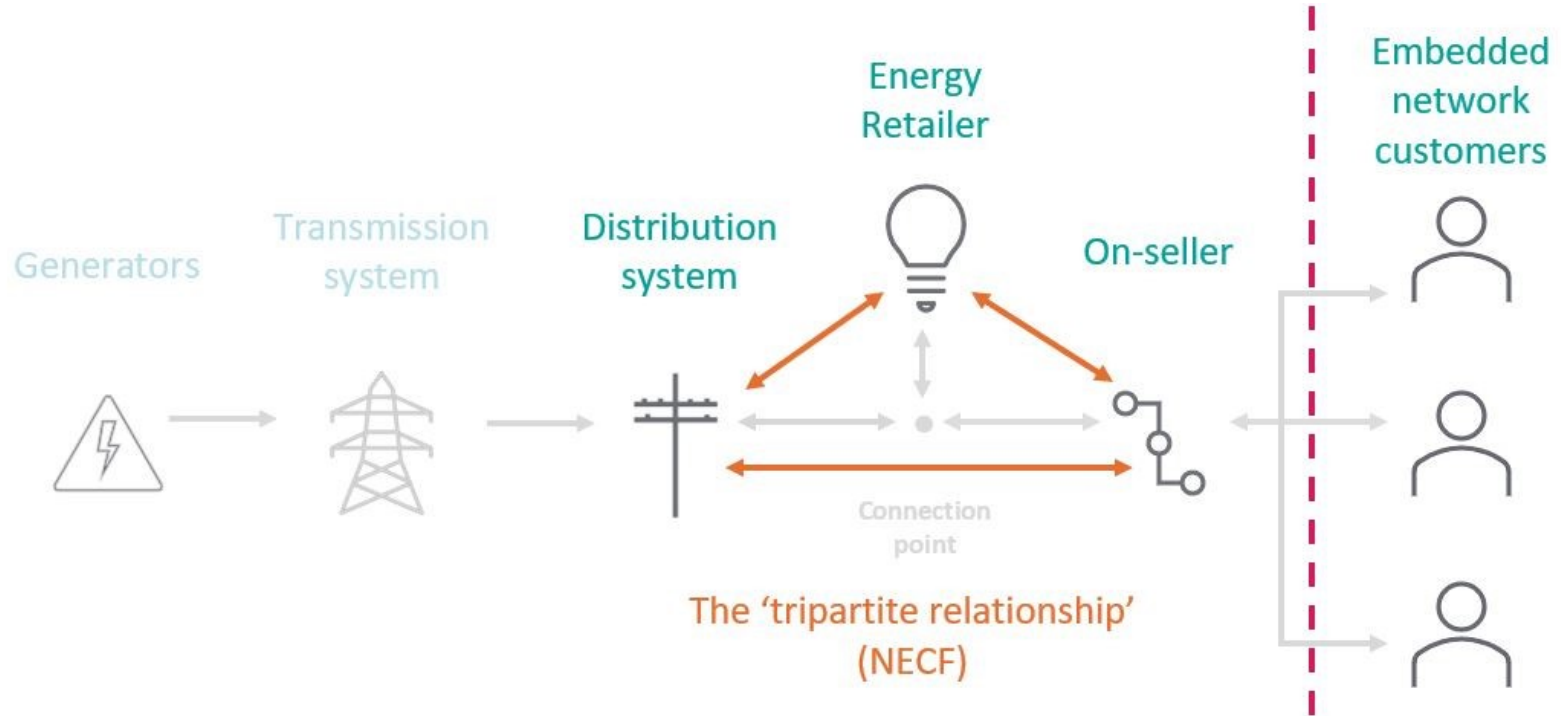


NECF was drafted to create rights and obligations that flow between each point in this relationship.

> Energy supply to an electricity embedded network customer



- **The regulatory problem:** The electricity on-seller replaces the customer under the existing consumer framework





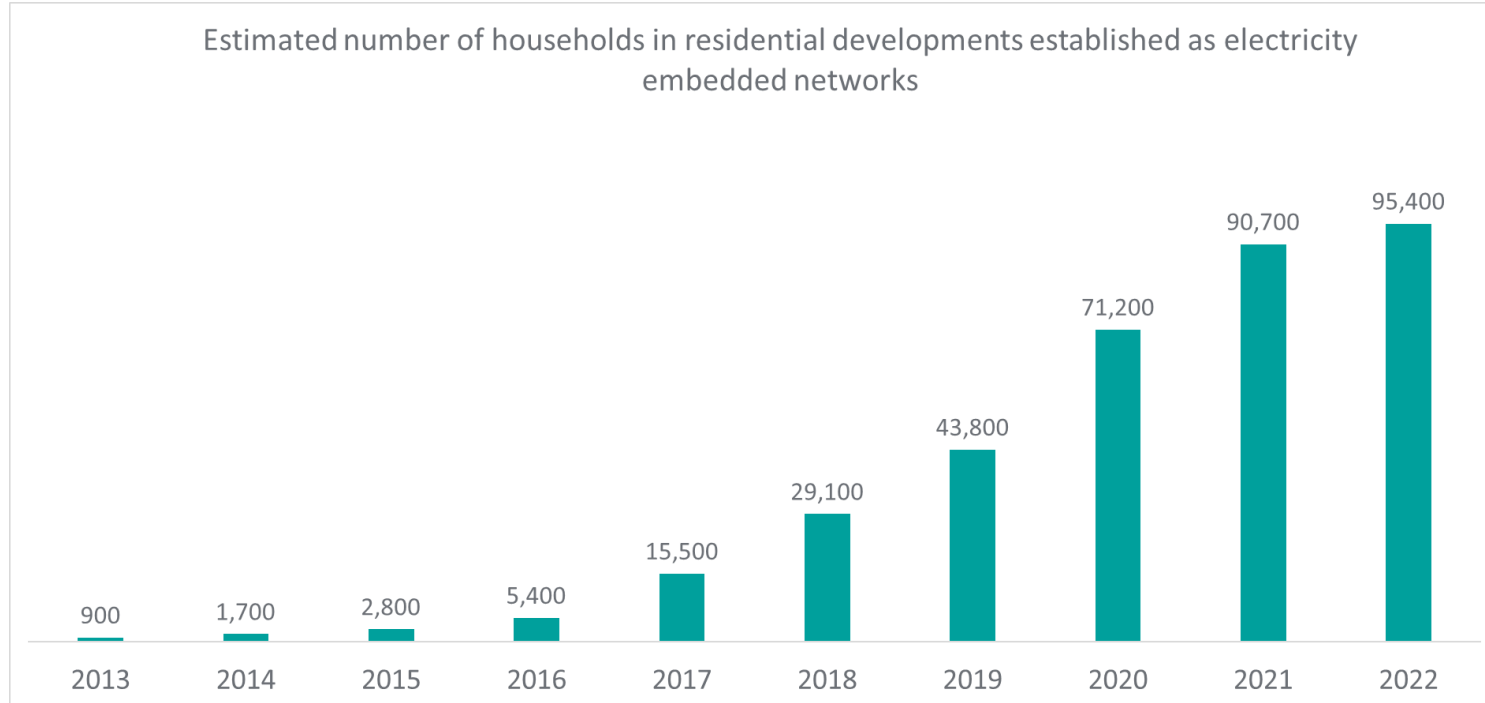
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2. The growth of electricity embedded networks



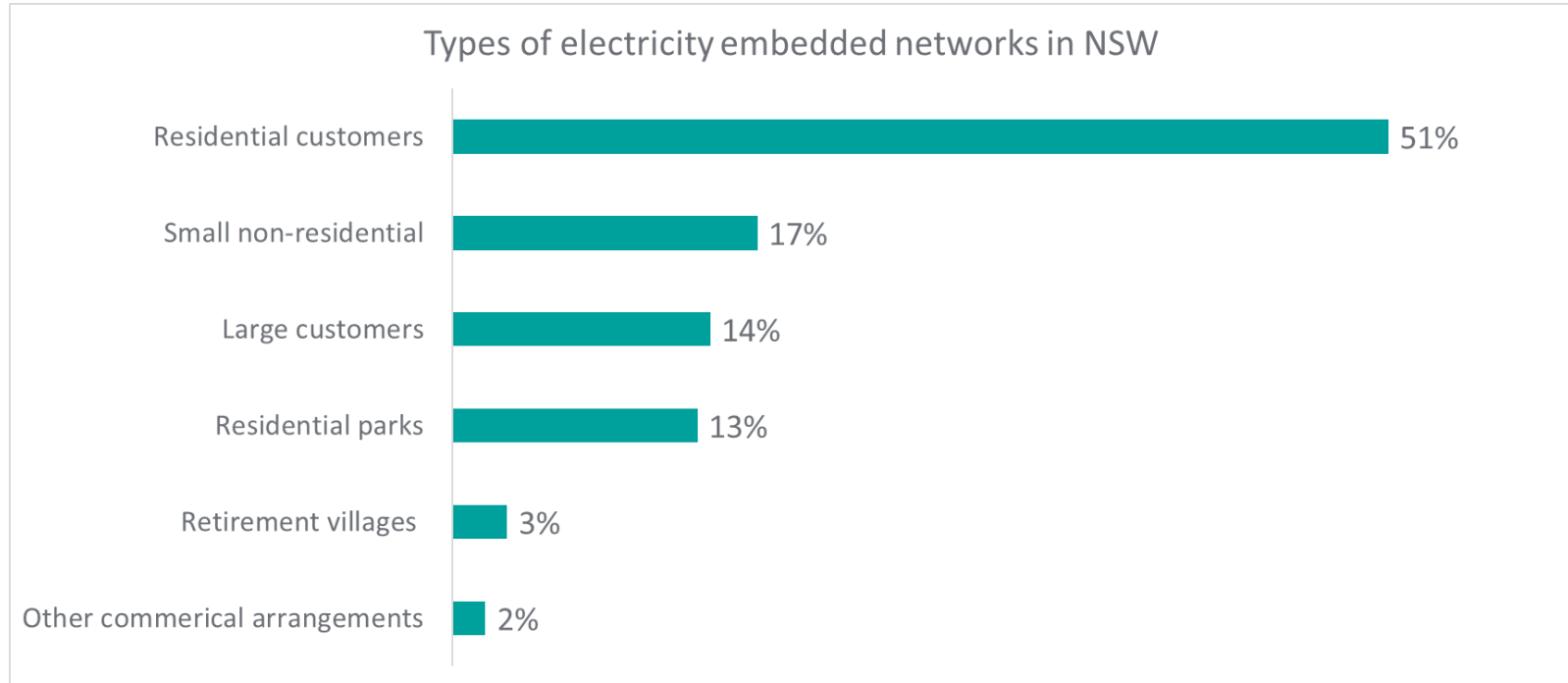
> The growth of electricity embedded networks in NSW



Data taken from the AER public register of network exemptions. Numbers are based on an estimated average of 100 households per residential development.



> Types of electricity embedded networks in NSW - based on network exemptions registered with the AER



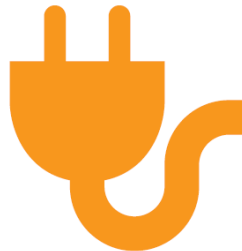
Based on the number of registered network exemptions only. Data taken from the AER public register of network exemptions.



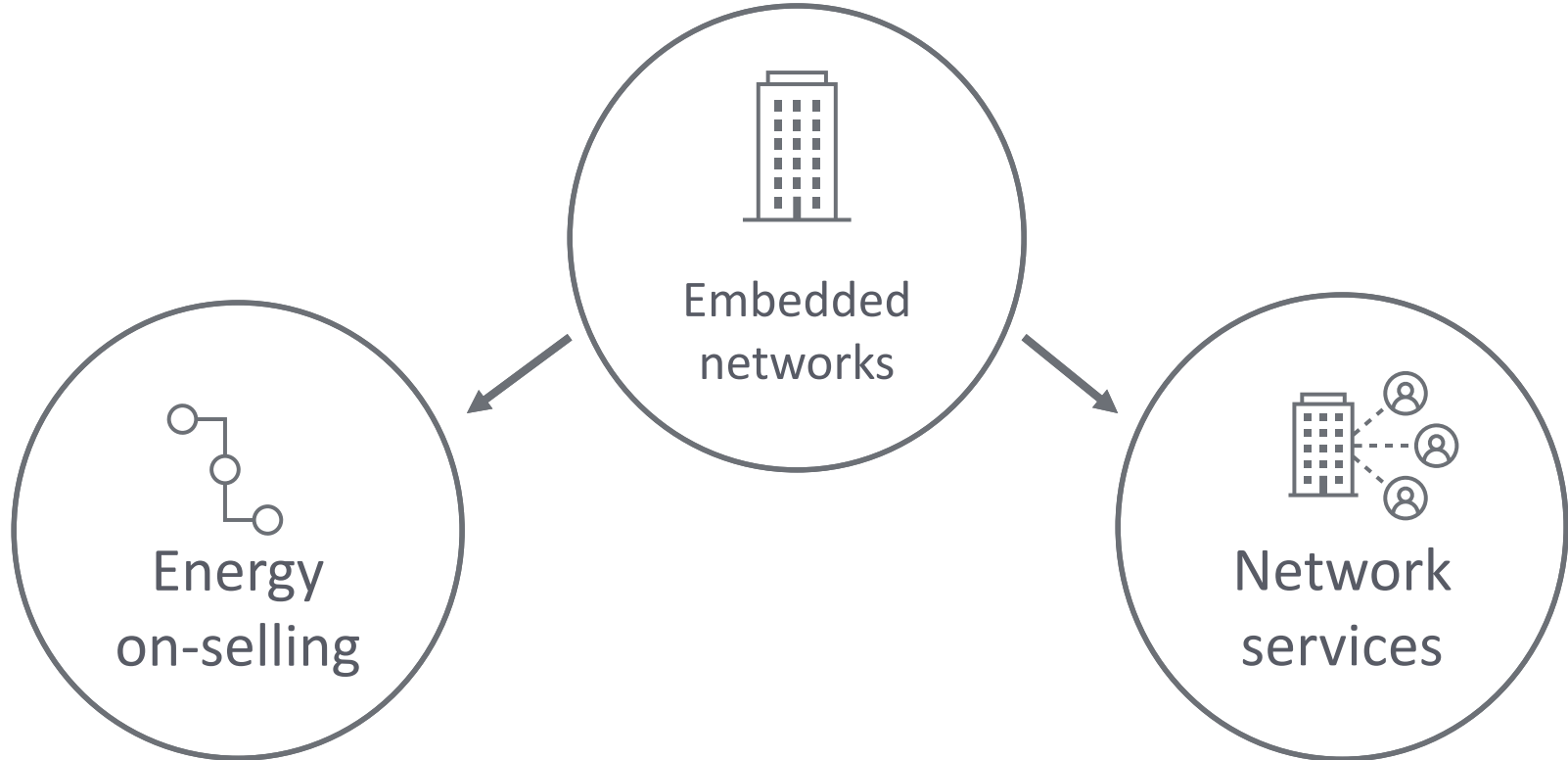
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3. How embedded networks are regulated

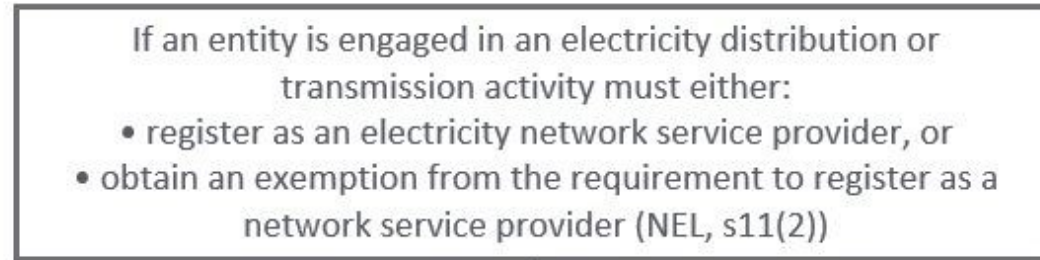


> The regulation of embedded networks





> The regulation of electricity networks



Any other 'person' engaged in the activity of owning, controlling, or operating an electricity network.

Exempt
Electricity Supply Act 1995 (NSW)

Network exemption (AER)

NSW Electricity distributors
(Schedule 3, *Electricity Supply Act 1995 (NSW)*)

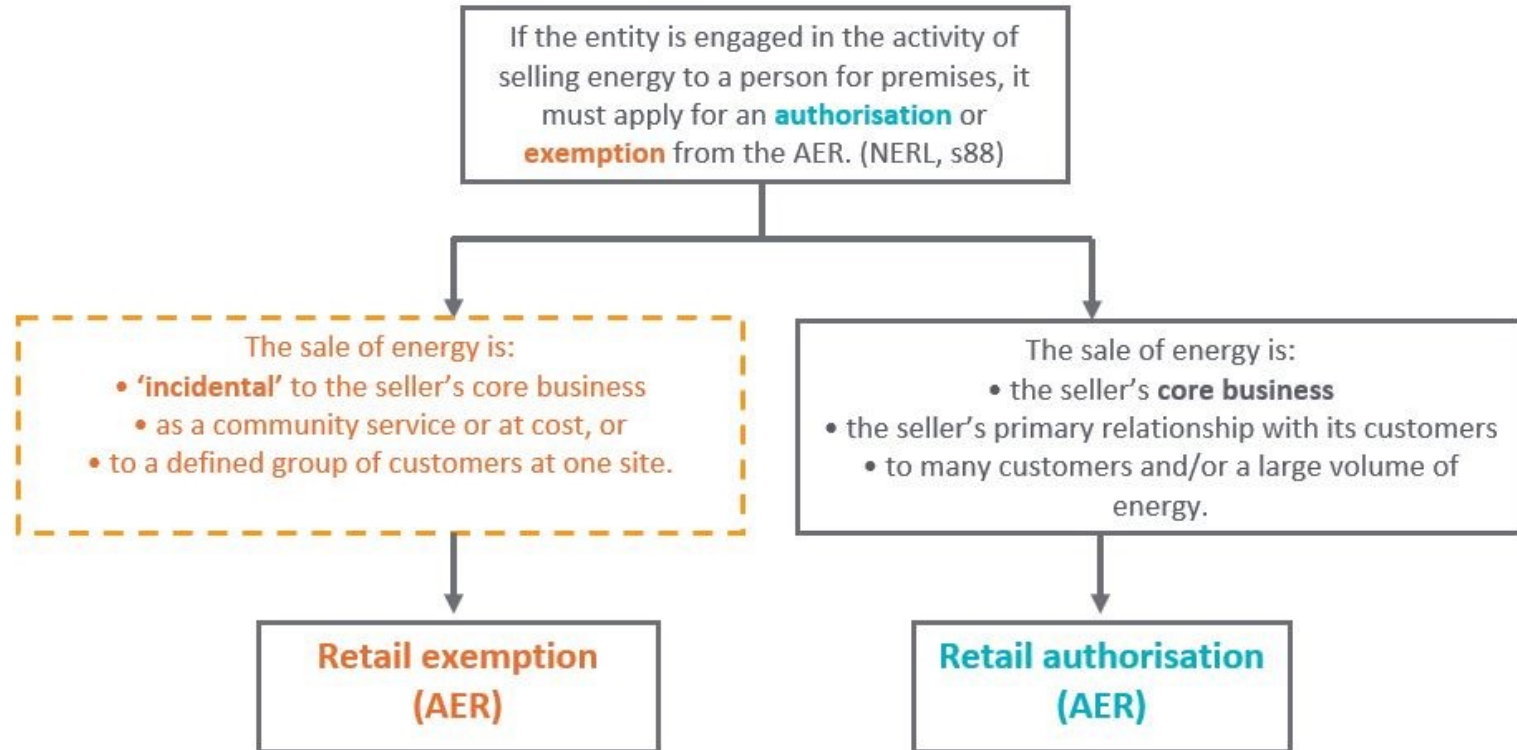
Licensed
Electricity Supply Act 1995 (NSW)

Network registration (AEMO)



> The regulation of energy on-selling

The AER's authorisation and exemption framework (NERL & NERR):





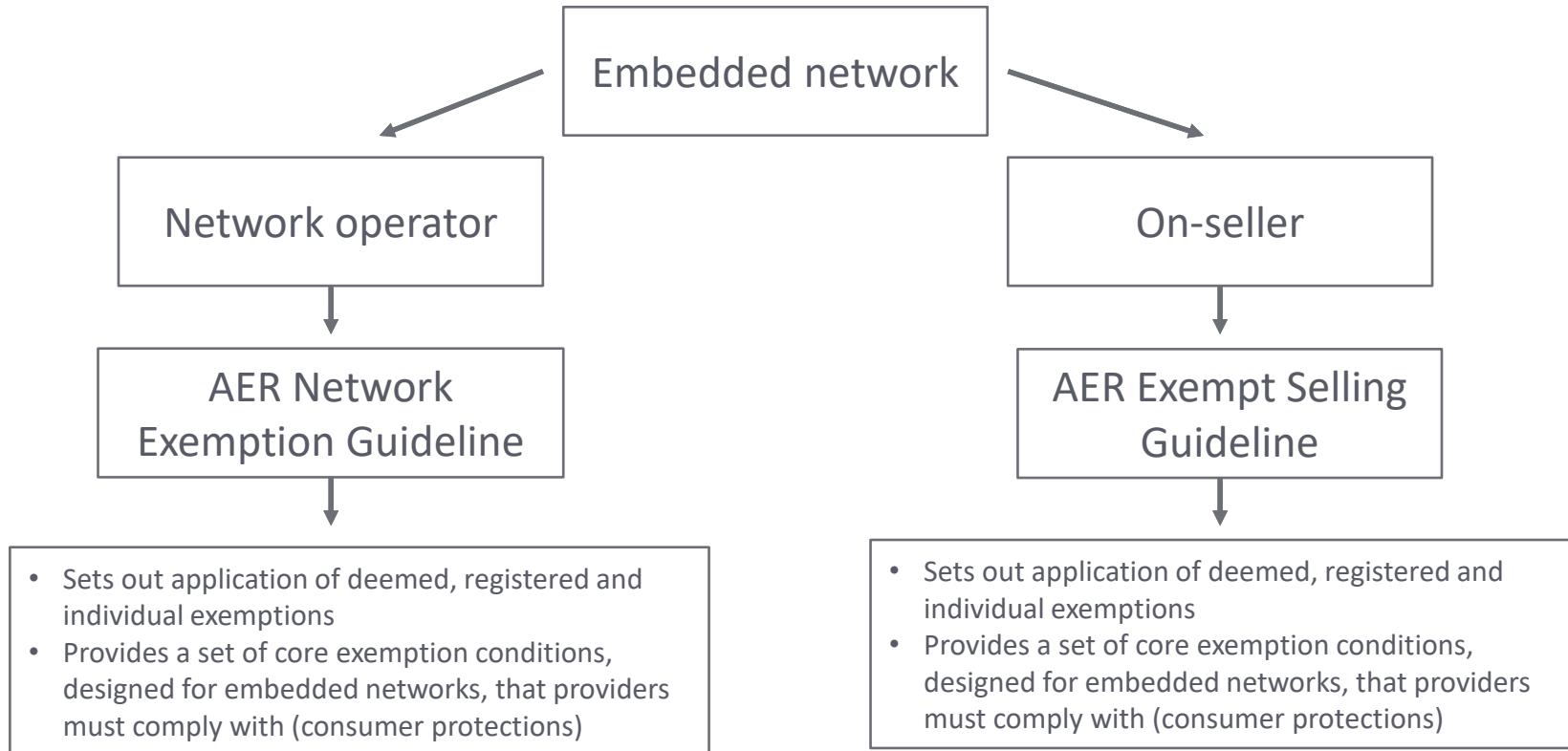
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4. The AER exemption framework



> The AER exemption framework





> The types of exemptions

Exemption type	Description	Retail exemption examples	Network exemption examples
Deemed exemptions	A deemed exemption applies automatically to certain classes of sellers and networks. Entities do not need to apply or register for the exemption. Deemed classes are usually for small-scale arrangements that need little regulatory oversight	<ul style="list-style-type: none">• caravan parks or holidays parks that sell metered energy to people in short term holiday accommodation• businesses that sell energy to a related business• persons who sell metered energy to fewer than ten small businesses or residents• people who sell unmetered gas where gas is used for limited purposes	<ul style="list-style-type: none">• supply of metered or unmetered energy to occupants of holiday accommodation on a short-term basis• persons who supply metered or unmetered energy to fewer than ten small businesses or residents
Registrable exemptions	Registrable exemptions apply to certain classes of energy networks and sellers. Registered exemptions are published on the AER website. The AER does not assess or approve registered exemptions.	<ul style="list-style-type: none">• persons who sell metered energy to ten or more small tenants or residents within a site• retirement villages or residential parks who sell metered energy to permanent residents• people or businesses selling energy to large customers	<ul style="list-style-type: none">• retirement villages or residential parks who supply metered or unmetered energy to permanent residents• persons who supply metered or unmetered energy to ten or more small tenants or residents within a site
Individual exemptions	An individual exemption normally applies to the supply and sale of energy at a particular site and/or to a particular customer (or group of customers). Individual exemptions are intended for more unusual and often one-off arrangements and allows for tailored condition.	<ul style="list-style-type: none">• Shopping centre developments often apply for individual exemptions	<ul style="list-style-type: none">• Shopping centre developments often apply for individual exemptions



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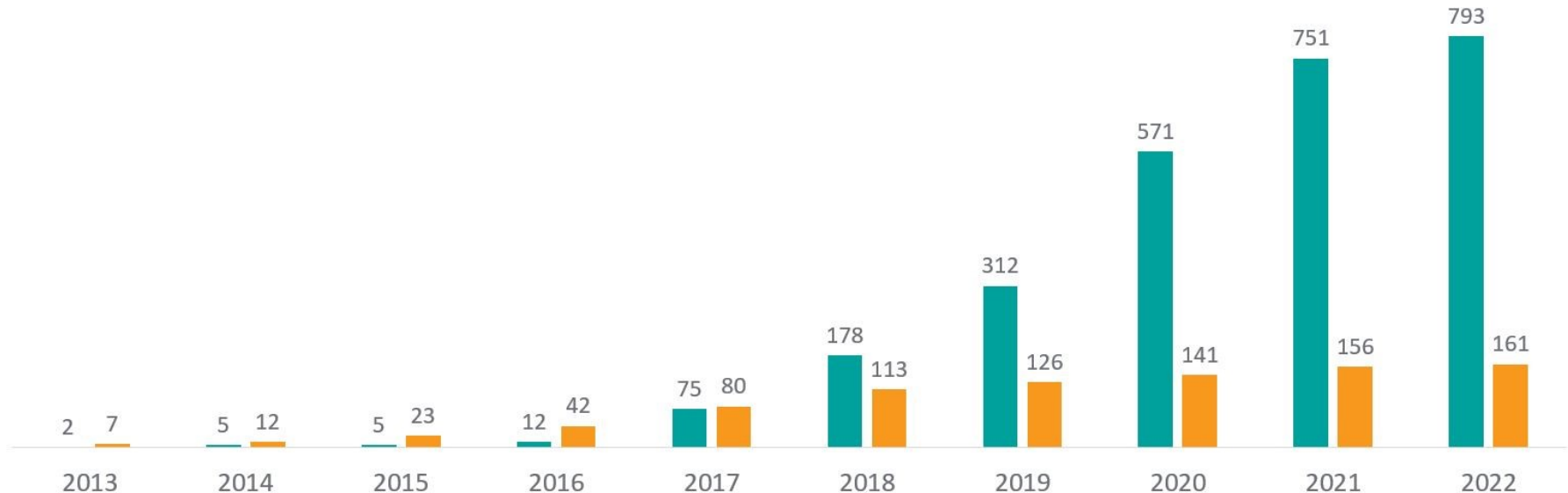
5. Authorised energy retailers on-selling in embedded networks



> Authorised retailers compared to exemption holders

Number of electricity embedded networks (NSW) by type of entity on-selling to residential customers

■ Authorised retailers ■ Exempt sellers



> The regulation of embedded networks: Multiple entity types & multiple frameworks

Embedded networks – entities & consumer frameworks				
Electricity on-seller			Embedded network owner/operator	
Type of entity	Authorised energy retailer	Exemption holder	Authorised energy retailer	Exemption holder
Consumer protection framework	National Energy Retail Law (NERL) & National Energy Retail Rules (NERR)	AER Exempt selling guideline	AER Exempt Network guideline	AER Exempt Network guideline

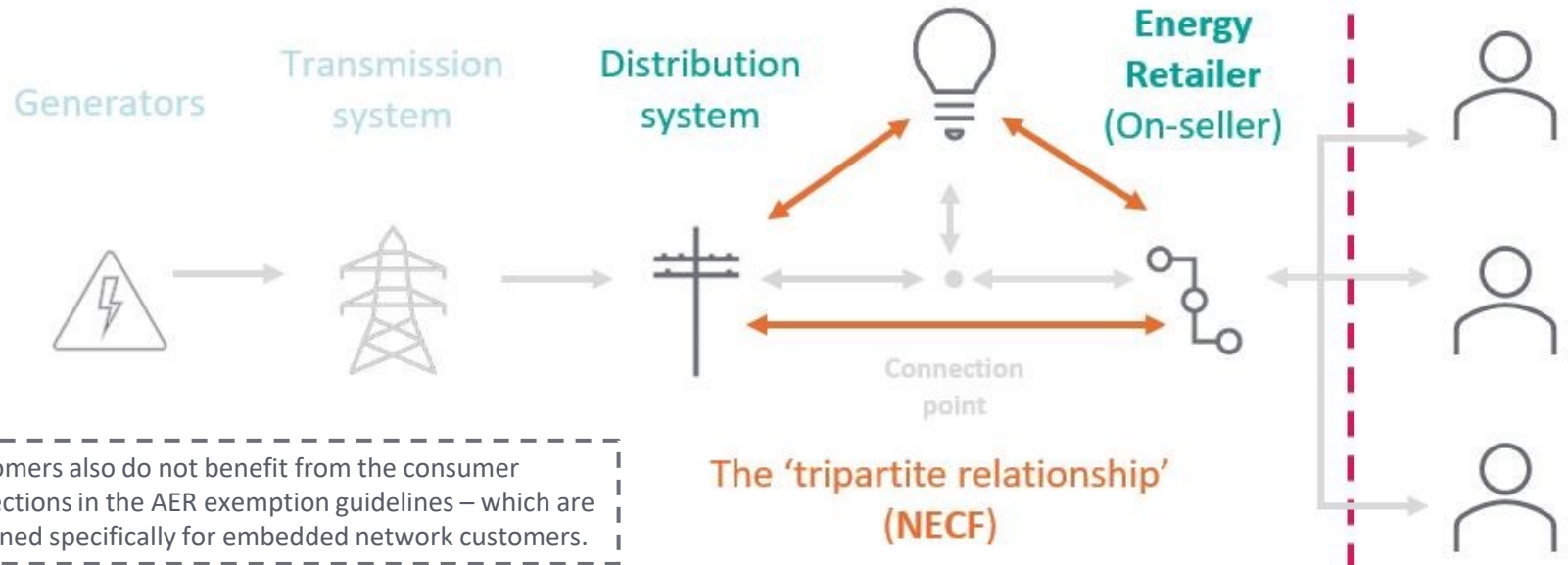
➤ The problem: NECF was not designed to support authorised retailers on-selling in embedded networks

Some of the rules in NECF rely on the retailer being the Financially Responsible Market Participant (FRMP) for the customer's premises.

**Energy
Retailer
(FRMP)**

These rules don't work if the retailer replaces the customer at the connection point

**Embedded
network
customers**



➤ Rules that don't work when an authorised retailer is on-selling to off-market embedded network customers

- ✗ The *Competition and Consumer (Industry Code—Electricity Retail) Regulations 2019* (Cth) – also known as the **Default Market Offer** or '**DMO**' – does not apply to embedded network customers.
- ✗ The AER's exempt selling guideline does not apply to on-selling by an authorised retailers in embedded networks. The guideline contains rules specifically designed for embedded network customers such as:
 - **Information provision** – the exempt seller must must provide embedded network customers, in writing, at the start of their tenancy/residency/agreement with specific information about embedded networks.
 - **Choice of retailer** - exempt person must not do anything to discourage or prevent a customer from exercising their right to accept an energy offer from the retailer of their choice.
- ✗ **Deemed customer retail arrangement** for new or continuing customer without customer retail contract (National Energy Retail Law, s54)
- ✗ **Retailer of Last Resort** (RoLR) provisions (National Energy Retail Law)
- ✗ **Obligation to make offer to small customers** (*standing offer* - National Energy Retail Law, s22)
- ✗ **Disconnection and reconnection requirements** – customer does not have the right to reconnect through a standing offer if disconnected for over 10 business days for non-payment (National Energy Retail Law, s22; National Energy Retail Rules, r18)



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6. Consumer protections – embedded electricity networks









> Consumer protections for a ‘traditional’ grid-connected electricity customer





National Energy Customer Framework (NECF)			
Generation	Transmission	Distribution	Retail
 <ul style="list-style-type: none">• Market wide protections through regulation of the National Energy Market (NEM)• Registration with the Australian Energy Market Operator (AEMO)	 <ul style="list-style-type: none">• Market wide protections through regulation of the National Energy Market (NEM)• Access to external dispute resolution (EWON)	 <ul style="list-style-type: none">• Model terms and conditions for deemed standard connection contracts• distributor service standards and guaranteed service level scheme• fault reporting and correction• provision of electricity information (usage data and charges)• notice of interruptions• Access to complaint processes• Access to external dispute resolution (EWON)	 <ul style="list-style-type: none">• access to retail competition• price protection for standing offers (DMO)• right to access energy services• informed consent requirements• dispute resolution procedures and access to external dispute resolution• minimum contractual standards• billing, tariff, and payment minimum requirements• disconnection and reconnection requirements• protections for customers experiencing vulnerability.• electricity rebates (medical and low income)• Energy Accounts Payment Assistance (EAPA) vouchers• Access to external dispute resolution (EWON)



> Consumer protections for an embedded network customer with exempt on-seller

National Energy Customer Framework (NECF)			
Generation	Transmission	Distribution	Retail
			
<ul style="list-style-type: none">• Market wide protections through regulation of the National Energy Market (NEM)• Registration with the Australian Energy Market Operator (AEMO)	<ul style="list-style-type: none">• Market wide protections through regulation of the National Energy Market (NEM)• Access to external dispute resolution (EWON)	<ul style="list-style-type: none">✗ Model terms and conditions for deemed standard connection contracts✗ distributor service standards and guaranteed service level scheme✗ fault reporting and correction✗ provision of electricity information (usage data and charges)✗ notice of interruptions✗ Access to complaint processes✗ Access to external dispute resolution (EWON)	<ul style="list-style-type: none">✗ access to retail competition✓ price protection for standing offers (DMO)✓ right to access energy services✗ informed consent requirements✓ dispute resolution procedures and access to external dispute resolution✓ minimum contractual standards✓ billing, tariff, and payment minimum requirements✓ disconnection and reconnection requirements? protections for customers experiencing vulnerability✓ life support equipment registration? electricity rebates (medical and low income)✗ Energy Accounts Payment Assistance (EAPA) vouchers✓ Access to external dispute resolution (EWON)

> Consumer protections for an embedded network customer with authorised retailer

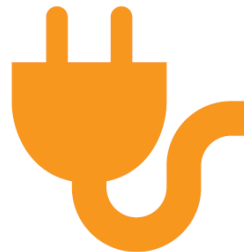
National Energy Customer Framework (NECF)			
Generation	Transmission	Distribution	Retail
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7. Recent regulatory reviews and reforms





AEMC 2015

Embedded Networks Rule Change

Rule change created a new accredited provider role – **the embedded network manager** – to perform the market interface functions that link embedded network customers to the National Electricity Market systems.

> AEMC 2017

Review of regulatory arrangements for embedded networks

Findings: problems existed with the two-tiered framework created under NECF (exemptions and authorisations), including:

Problems with the two-tiered framework (exemptions and authorisations), included:

- substantially different obligations in providing network and retail services between those entities supplying embedded network customers and those supplying standard supply customers
- differences in consumer protections for those customers within an embedded network and standard supply customers
- differences in compliance obligations, such as reporting, and enforcement consequences for registered exempt network service providers/exempt sellers

> AEMC 2017

Review of regulatory arrangements for embedded networks

Findings: embedded network customers have limited access to retail market competition

- found significant practical barriers to customers in embedded networks accessing retail market competition.
- This means embedded network customers have limited ability to change supplier if they are unhappy with the price they are paying or level of service that they are receiving

> AEMC 2017

Review of regulatory arrangements for embedded networks

Findings: The NECF framework resulted in difficulties achieving appropriate consumer protections.

- exemption conditions (the rules that protect customers of exempt on-sellers) do not have the same legal status as the NERR
- the AER considers it does not have the powers it needs to enforce exempt network conditions.
- the NERL and NERR cannot be applied to embedded network customers supplied by an authorised retailer because they rely on the tri-partite relationship.
- some embedded network customers are left disappointed or frustrated because they do not receive the same level of service or reliability of supply as grid connected customers.
- it is the smaller and more vulnerable consumers that are most affected by the gaps in consumer protections .

> AEMC 2017

Review of regulatory arrangements for embedded networks

Findings: that the current regulatory framework for embedded networks is no longer fit for purpose, and the identified problems remain worthy of changes to the law and rules.

It is in the long-term interest of consumers for embedded network customers to be afforded:

- the right to a choice of retailer in the same way as comparable retail customers in the same jurisdiction have that right
- customer protections afforded to retail customers under the NERL and NERR



> AER 2018

Version 5 of the AER (Retail) Exempt Selling Guideline

Embedded network customers obtain access to external dispute resolution

The AER amended the core exemption conditions in the Exempt Selling Guideline to expand ombudsman access to residential exempt customers, and to make clearer exempt seller obligations regarding internal dispute resolution processes



AEMC 2019

Updating the regulatory frameworks for embedded networks

The AEMC has proposed drafting amendments to the NER and NERR, and drafting instructions for changes to the NEL and NERL.

These reforms are currently waiting for the Energy National Cabinet Reform Committee (ENCRC) to finalise a position.

Proposed reforms include:

- network service providers and on-sellers would no longer be eligible to be exempted from the requirements of the national energy laws and rules.
- embedded network service providers would be required to register with AEMO
- electricity on-sellers would be required to obtain a form of retailer authorisation from the AER
- class exemptions would only be retained for a small sub-set of network service providers and energy sellers, where the need for regulatory oversight is low, and all in cases exempt parties would need to register with the AER
- NEM metering arrangements and market systems for standard supply customers would be extended to embedded network customers



Department of Industry, Science, Energy and Resources 2022

Review of the Default Market Offer (DMO) and Reference Price

The post-implementation review of Competition and Consumer (Industry Code – Electricity Retail) Regulations 2019 recommended:

- that further consultation should be made on how best to extend price cap protection provided by the DMO to customers in embedded networks.

> AER 2022

Retailer authorisation and exemption review

The AER is undertaking a review of the retailer authorisation and exemption frameworks set out in the National Energy Customer Framework (NECF) to assess whether the current energy consumer protection framework remains fit-for-purpose in a transitioning energy market

Review of the exempt selling and network guidelines

Exempt selling guideline: Key amendments include the introduction of a new hardship policy condition, a new information provision condition, and clarifying retrofit and ombudsman scheme membership requirements.

Network exemption guideline: the AER is consulting on how to:

- Improve the clarity and readability of exemption requirements.
- streamline the network exemption guideline and removing redundancies.
- Clarify concepts such as the issue of the ownership, control, and operation of embedded networks in the network exemption guideline.
- Improving consistency between the two guidelines.



Residential Land lease communities (Residential parks)





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8. The regulation of electricity on-selling in residential parks





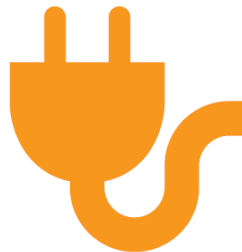
➤ Regulation of electricity on-selling in residential parks

Residential park operator	
AER (Retail) Exempt Selling Guideline	Residential Land-Lease Communities Act 2013 (NSW)
<ul style="list-style-type: none">• Obligation to supply• Information provision to embedded network customers• billing, tariff, and payment minimum requirements• minimum contractual standards• Pricing (price cap linked to Default Market Offer)• disconnection and reconnection requirements• Payment difficulties and payment plans• dispute resolution procedures and access to external dispute resolution• Planned & unplanned interruptions to supply• Life support customers• Continuity of supply	<ul style="list-style-type: none">• Limit on amounts payable by homeowner (s76)• Utility charges payable to operator by homeowner (s77)• Unpaid utility charges (s78)• Site fees cannot be used to pay utility charges (s79)• Separate measurement or metering of supply of utility (s80)• Utility cost in site fees (s81)• Access to information about utility charges (s83)• Receipt for utility charges (s84)
	Residential (Land Lease) Communities Regulation 2015 (NSW)
	<ul style="list-style-type: none">• Maximum service availability charge—electricity (cl13)



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9. The *Reckless* case





➤ *Silva Portfolios Pty Ltd trading as Ballina Waterfront Village & Tourist Park v Reckless [2018] NSWSC 1343*

- Section 77(3) of the Residential (Land Lease) Communities Act 2013 (NSW) says that an operator must not ‘charge a homeowner an amount for use of a utility that is more than the amount charged by the utility service provider or regulated offer retailer who is providing the service for the quantity of the service supplied to, or used at, the residential site’.
- When the NSW electricity market was deregulated in 2014, there was no longer a “regulated offer retailer” offering a regulated price for electricity.
- Uncertainty over the application over s77(3) resulted in an appeal to the NSW Supreme Court on the issue of how much a homeowner can be charged for electricity.
- the Supreme Court found that an operator does not have the right to charge a homeowner more than the operator has been charged for electricity consumed by the homeowner.

➤ Impact of the Reckless method for electricity charging

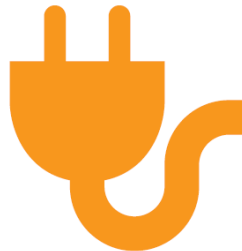
- **Added complexity:** It is difficult to apply the outcome of the *Reckless* case because:
 - Electricity bills for businesses for the parent connection point are separated into energy charges and pass-through network charges.
 - Network and energy charges are normally bundled on retail bills for residential customers and therefore residential customers do not see the pass-through network charges.
 - This creates disputes over what electricity charges should be allowed to be passed on to residents at child connection points.
- **Further disputes:** The NSW Civil and Administrative Tribunal has developed a method for calculating customer bills based on the *Reckless* decision. This is often referred to as the 'Reckless method'.
- **Both sides unsatisfied:** Some residents consider that they are worse off under the Reckless method and residential park operators consider that their costs of supplying electricity are also not covered by this method.
- **Loss of rights under the Regulations:** if a residential park operator uses the Reckless method, they cannot also charge homeowners a separate service availability charge. This means that if the customer is supplied with electricity that is less than 60amp – there is uncertainty on how to pass on the tiered discounts required by the Regulations.
- **Electricity on-selling outsourced to energy retailers:** Dissatisfaction with the Reckless case, and the Tribunal's application of the Reckless method, has led many residential park operators to completely hand over the on-selling of electricity in their community to a third-party (an authorised energy retailer).



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10. The regulatory problem caused by third party on-sellers in residential parks





➤ Third party on-sellers in residential parks (authorised energy retailers)

Third-party electricity provider (Energy retailer)		Residential park operator	
		 	
National Energy Retail Law (NERL) & National Energy Retail Rules (NERR)		AER (Retail) Exempt Selling Guideline	Residential Land-Lease Communities Act 2013 (NSW)
<ul style="list-style-type: none">• informed consent requirements• dispute resolution procedures and access to external dispute resolution• minimum contractual standards• billing, tariff, and payment minimum requirements• disconnection and reconnection requirements• protections for customers experiencing vulnerability.		<ul style="list-style-type: none">✗ Obligation to supply✗ Information provision to embedded network customers✗ billing, tariff, and payment minimum requirements✗ minimum contractual standards✗ Pricing (price cap linked to Default Market Offer)✗ disconnection and reconnection requirements✗ Payment difficulties and payment plans✗ dispute resolution procedures and access to external dispute resolution✗ Planned & unplanned interruptions to supply✗ Life support customers✗ Continuity of supply	<ul style="list-style-type: none">✗ Limit on amounts payable by homeowner (s76)✗ Utility charges payable to operator by homeowner (s77)✗ Unpaid utility charges (s78)✗ Site fees cannot be used to pay utility charges (s79)✗ Separate measurement or metering of supply of utility (s80)✗ Utility cost in site fees (s81)✗ Access to information about utility charges (s83)✗ Receipt for utility charges (s84)
			Residential (Land Lease) Communities Regulation 2015 (NSW) <ul style="list-style-type: none">✗ Maximum service availability charge—electricity (cl13)

> Impact of third-party on-sellers

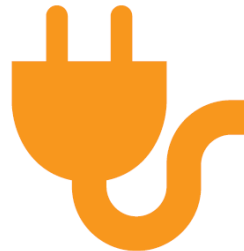
- Authorised retailers are not covered by the Residential (Land Lease) Communities Act 2013 (NSW) because they are not considered to be an 'operator' of land lease communities.
- Residents have lost their rights under the *Residential (Land Lease) Communities Act 2013* (NSW)
- Residents supplied with electricity that is less than 60amp are no longer entitled to discounts under the *Residential (Land Lease) Communities Regulation 2015* (NSW)
- No price cap applies to the electricity usage and supply charges that can be billed to residents.
- Regulatory uncertainty which has led to disputes in the Tribunal, and residents have been put at risk of disconnection for refusing to open accounts with third-party providers.



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11. Statutory Review - Residential (Land Lease) Communities Act 2013 (NSW)



> Recommendations of final report (Nov 2021)

Recommendation 20:	For electricity supplied through an embedded network, undertake further work on the potential price impacts of the introduction of a maximum price cap based on the median market price. This should include consideration of whether there is a need for any mitigation strategies, and any additional mechanisms to promote competition and transparency of electricity prices offered by land lease operators.
Recommendation 21:	Give consideration to applying any amended electricity pricing provisions in the Act to the community operator and any contracted third party provider who is providing electricity to residents through an embedded network
Recommendation 22:	Give consideration to extending the pricing protections provided to home owners in the Act to tenants who rent directly from the operator of a land lease community.
Recommendation 23:	Review any new electricity pricing provisions in the Act within 3 years of their commencement, including an assessment of any changes to the national electricity framework or other regulatory changes that affect embedded networks.
Recommendation 24:	Clarify that all energy billing by operators (or contracted third parties) must occur in line with requirements under the National Energy Customer Framework, being the National Energy Retail Rules for authorised retailers, and the Australian Energy Regulator's Retail Exempt Selling Guidelines for exempt sellers.
Recommendation 25:	Introduce new provisions, consistent with the requirements for energy billing, which specify the minimum information in, and frequency of, bills issued by operators (or contracted third parties) for the use of other utilities.
Recommendation 26:	Undertake further work to consider the complexities, barriers and costs associated with enabling the effective installation of sustainability infrastructure, notably solar panels, in communities. This work is being undertaken in partnership with the Department of Planning, Industry and Environment and engagement with the broader land lease communities sector.

Bryce Purches (brycep@ewon.com.au) is signed in
the broader land lease communities sector.



Gas embedded networks & hot water





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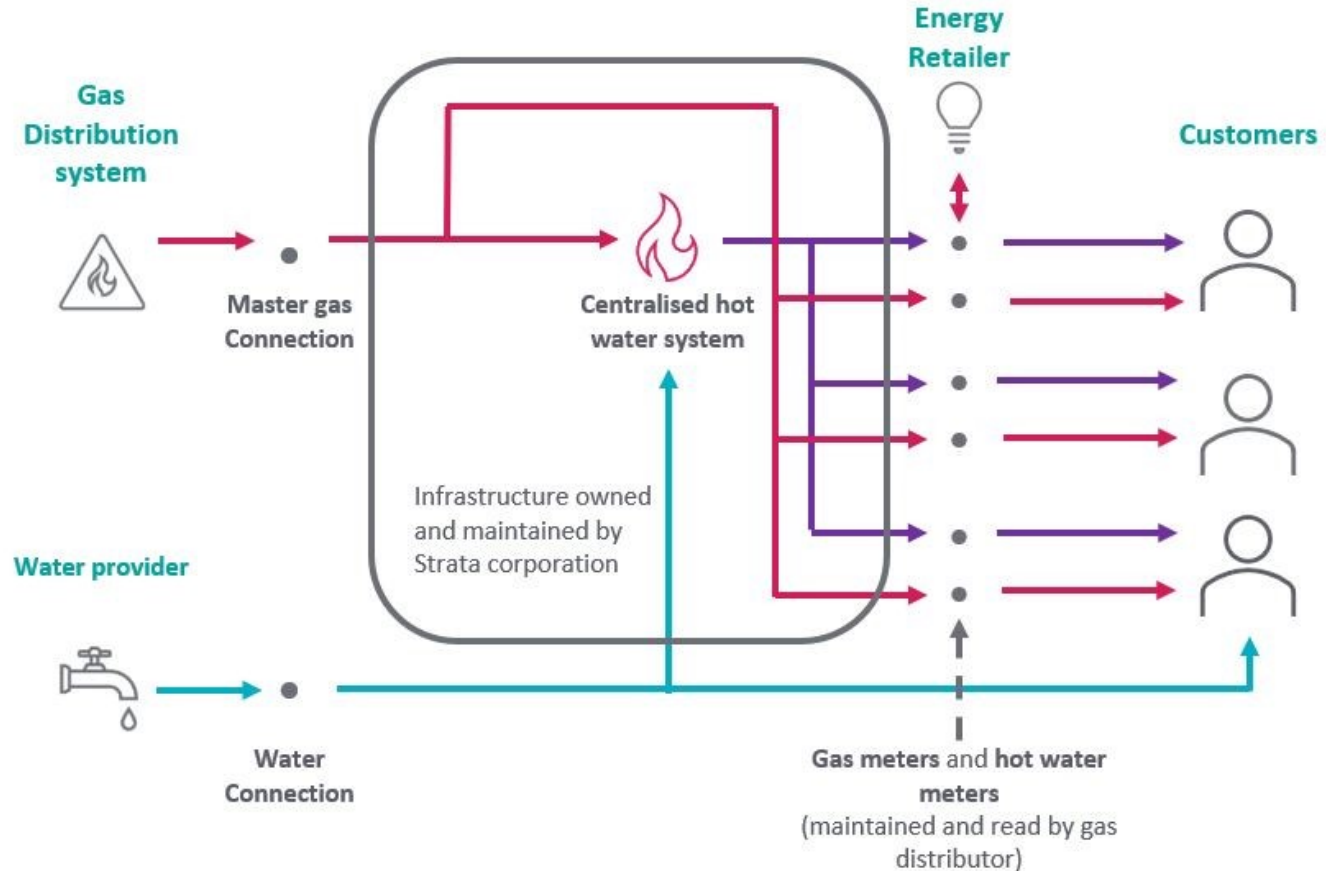
12. The regulatory problem for consumers – gas embedded networks & hot water



> A standard gas supply to an apartment building

Services provided by the licensed gas distributor (Jemena):

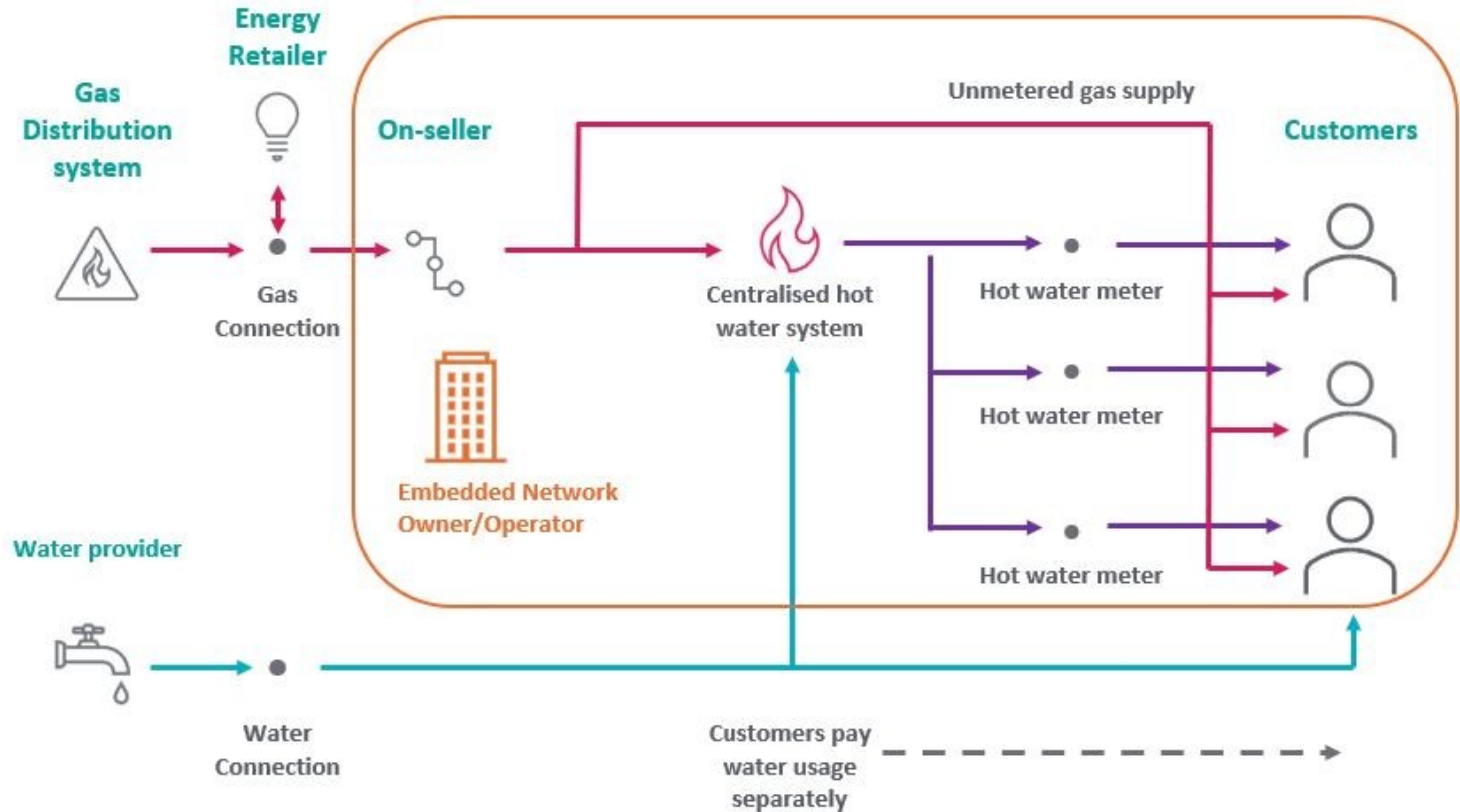
- Metered gas
- Metered hot water



> A typical gas embedded network

Services provided by an embedded network operator:

- Unmetered gas
- Metered hot water





> The two classes of residential gas customer in NSW

	Consumer group 1: Retail gas customers		Consumer group 2: Gas embedded network customers	
Supply arrangements	Metered gas supply	Metered hot water supply	Unmetered gas or 'gas cooktop' supply	Metered hot water supply
Number of households in NSW	250,000+		11,100	64,325
Metering provider	Jemena Gas Networks	Jemena Gas Networks	Embedded network operator	Embedded network operator
Retailer	Authorised energy retailer	Authorised energy retailer	Exempt on-seller	Unregulated on-seller
Billed	¢/MJ ¹	¢/MJ ²	\$/day ³	¢/Litre ⁴
Consumer protections	✓ NECF	✓ NECF	? AER exemption framework	✗ NECF

¹ ¢/MJ: usage charge based on ¢ per Megajoule (MJ) recorded by the customer's gas meter.

² ¢/MJ: usage charge based on ¢ per Megajoule (MJ) recorded by the customer's hot water meter. A 'common factor' determined by the gas distributor, Jemena Gas Networks, is used to convert the hot water usage into Megajoules for billing purposes. Energy retailers are supported in billing customers via this method by the Australian Energy Market Operator's (AEMO) *Gas Retail Market Procedures*.

³ \$/Day: a fixed charge for the supply of unmetered gas to the apartment.

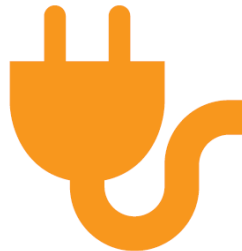
⁴ ¢/Litre: a usage charged based on ¢ per litres of hot water recorded by the customer's hot water meter. The price per litre of hot water is calculated based on the same 'common factor' method used by the gas distributor, Jemena Gas Networks.



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13. Consumer protections for gas embedded network & hot water customers





➤ The regulation of on-selling in gas embedded networks

Retail gas and electricity supply

Gas embedded networks

Unmetered gas or 'gas cooktop' supply

Metered hot water supply

National Energy Customer Framework (NECF)	Deemed exemption - AER exempt selling guideline	Australian Consumer Law (ACL)
<ul style="list-style-type: none">• Pricing controls or access to retail competition• Rights to access essential services and/or obligations on seller to supply• Rebates & concessions (NSW only)• Internal dispute resolution procedures• Access to external dispute resolution• Minimum contractual standards• Billing, tariff, and payment minimum requirements• Protections for vulnerable customers• Protections against disconnection	<ul style="list-style-type: none">• Minimum contractual standards• Billing, tariff and payment minimum requirements• Protections for vulnerable customers• Protections against disconnection• Internal dispute resolution procedures• Rights to access essential services and/or obligations on seller to supply	<ul style="list-style-type: none">• misleading and deceptive conduct• unconscionable conduct• unfair contract terms• consumer guarantees• unsolicited consumer agreements• product safety.



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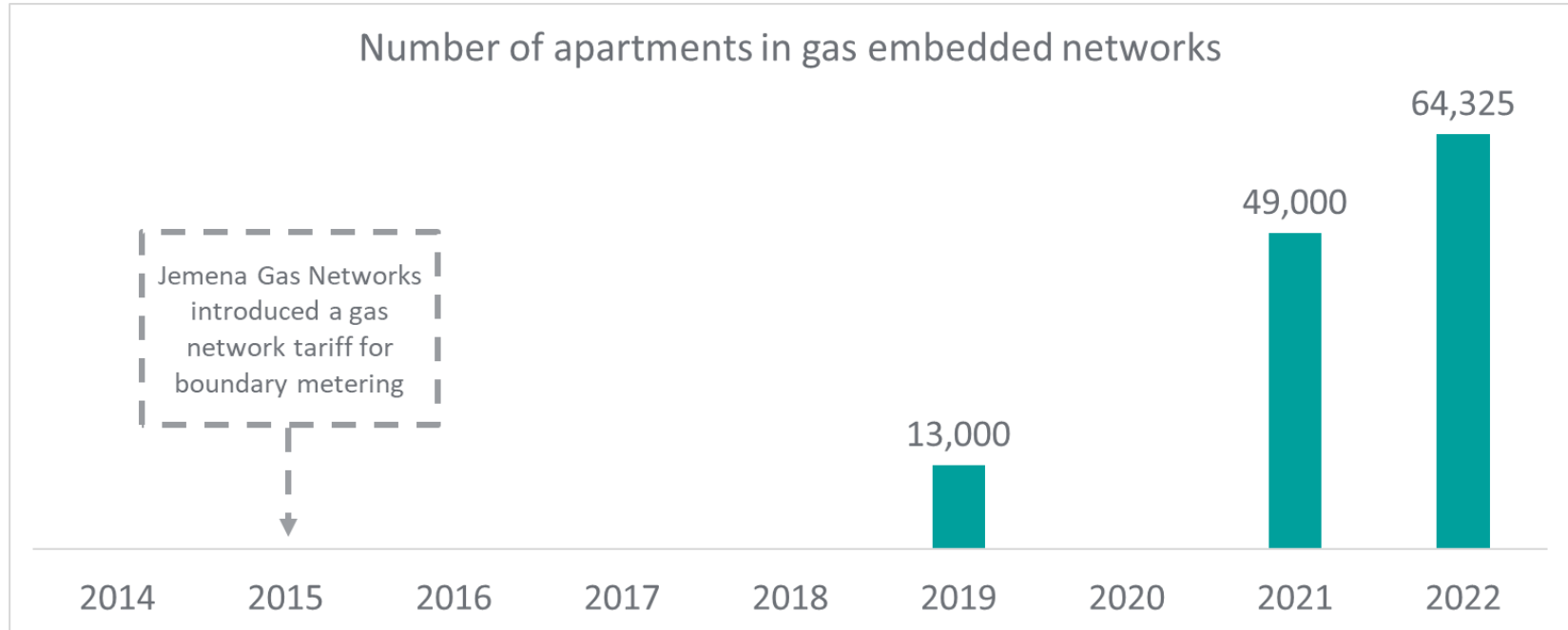
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14. The growth of gas embedded networks





> The growth of electricity embedded networks in NSW



EWON does not have data for every year between 2015 and 2022



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15. Recent regulatory reviews (gas embedded networks & hot water)





NSW Government's *Promoting innovation for NSW energy customers* - public consultation paper (Dec 2021)

- NSW Government consulted on enhancing protections for hot water embedded network customers
- One of the options explored in the paper was to require the sale of hot water to be billed in the underlying source of energy (in cents per megajoule or cents per kilowatt hour, depending on whether it was heated with gas or electricity) rather than as a hot water product (in cents per litre). This could be implemented in NSW laws.
- Other options would require a national solution – amending the existing energy framework for consumers.

The AER's Retail Exempt Selling Guideline review 2021-22

- EWON has made a submission to the review recommending that the AER consider amending the Exempt Selling Guideline to include a retail exemption class for gas on-selling. This exemption class would need to include situations where the residential customer's energy consumption is measured by a hot water meter (consistent with the current Gas Retail Market Procedures)
- The AER considers that the sale of bulk chilled or hot water is unlikely to constitute the sale of energy for the purposes of the Retail Law, and therefore does not propose to determine a new class of exemption to regulate the sale of bulk chilled and hot water in the Guideline.



Q&A