

## Legislative Assembly Committee on Law and Safety: Embedded Networks in New South Wales

Energy Network Australia appeared before the Legislative Assembly Committee on Law and Safety on 12 August 2022 for the Committee's [Inquiry into embedded networks in New South Wales](#). A question on notice was taken on the Victorian Review into embedded networks, with particular focus on the proposed licensing framework.

### Energy Networks Australia: Response to question on notice

#### 1. Background – Victorian Review into embedded networks

In January 2021, a Victorian Government (Government) appointed Panel published the [Embedded Networks Issues Paper](#) identifying key issues with embedded networks. The Panel's [Final Recommendations Report](#) was published in January 2022 and the Government released their [response](#) in July 2022.

The Panel found that the residential electricity embedded network market in Victoria is not delivering outcomes in the best interests of consumers, and the Review concluded that regulatory intervention is required to ensure better outcomes for these consumers while supporting renewable energy uptake.

In Victoria, the Government has committed to:

- » banning new embedded networks in residential apartment buildings (and other residential settings), with limited exemptions for buildings that use renewable energy microgrids to deliver low-cost renewable energy, and
- » introducing strengthened regulatory oversight of embedded networks, including additional conditions for legacy (existing) embedded networks and new residential exemptions.

Note that the scope of the Victorian Review was focused on residential customers.

#### 2. Proposed licensing Framework

In Victoria, the Panel recommended the introduction of a licensing framework for embedded networks<sup>1</sup>, with providers only be able to operate if they satisfy conditions that require them to ensure residential customers have equal consumer protections, the benefits of renewable or clean energy and retail choice.

The Government, in its response, supported transitioning the current regulatory framework for embedded networks from an exemptions regime to Victoria's licensing framework under the under the *Electricity Industry Act 2000*.

Once the new licensing framework is in place, anyone who supplies and sells electricity in new residential sites containing an embedded network (including apartment buildings, social housing, retirement villages and residential parks) must obtain a specific licence from the Essential Services Commission of Victoria.

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<sup>1</sup> Note that in their final report, the Panel used the terms 'local energy networks' and 'local energy service' (or 'LES') to describe embedded networks after the recommendations have been implemented.

In addition, the Government supports transitioning legacy (existing) embedded networks into the new licensing regime, enabling customers living within older embedded networks to also benefit from the reforms.

The Government considers the move to licensing for all embedded networks will improve standards as well as visibility and transparency in the sector, ultimately benefitting customers. Implementation of enhanced consumer protections and the introduction of licensing is planned to transition through 2023 and 2024, which is in the next term of Government.

**For further information on this response, please contact:**

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