Submission No 33

EMBEDDED NETWORKS IN NEW SOUTH WALES

Organisation: Energy Locals Pty Ltd

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Legislative Assembly Committee on Law and Safety
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NSW Parliament House
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To whom it may concern

Legislative Assembly Committee on Law and Safety inquiry into embedded networks in New South Wales

Energy Locals Pty Ltd (ACN 606 408 879) and its related entity, Energy Trade Pty Ltd (ACN 165 688 568) (**Energy Locals**) welcomes the opportunity to provide a submission to the Legislative Assembly Committee on Law and Safety in relation to its inquiry into embedded networks in New South Wales (**Inquiry**).

Energy Locals specialises in energy procurement and management, energy generation and the provision of energy efficient technologies for residential, commercial, and industrial projects. We have extensive expertise in the management and implementation of embedded networks, which include electricity, gas, hot water, solar PV, electric vehicle charging, battery storage and telecommunications.

Energy Locals actively supports and promotes the societal, environmental, and economic benefits of embedded networks and encourages the review of current legal frameworks regulating embedded networks where positive customer outcomes and renewable energy benefits can be demonstrated.

Through this submission, Energy Locals aims to emphasise the importance of targeted and relevant regulatory reform to ensure that the benefits of embedded networks can be recognised by customers and the community to the fullest extent without impacting opportunity for growth and innovation.

Feedback on current legal framework regulating embedded networks

Energy Locals acknowledges that, following the rapid growth of the embedded network industry, the current regulatory framework for embedded networks would benefit from review.

In our role as an embedded network operator, we have come across a number of challenges or issues that arise as a result of the current legal framework, such as:

- ambiguous or impracticable obligations on exempt sellers in relation to disconnections, billing information, payment options and notification of planned outages;
- unclear ability of customers to access retail competition in the market and disaggregation of billing for these customers as retailers are not required to accept network charges form the ENO.

- lack of customer access to state government services such as concession schemes and financial assistance;
- ability of non-retailers such as individuals, owners corporations and unregulated entities to provide retail services to customers impacts customer service levels as customers may not receive appropriately structure payment plans, complaint handling, emergency outage rectification or ombudsman protections as would be provided by a national energy market retailer; and
- absence of one single reference point for rules and regulations applicable to embedded networks.

Feedback on the legal framework proposed by the Australian Energy Market Commission in its 2019 review on updating the regulatory frameworks for embedded networks and general regulatory changes

We understand that customers in embedded networks covered by the recommended framework will be supplied by either a NEM retailer or an off-market retailer, both of which will be authorised sellers. Energy Locals is supportive of this proposal as it will likely enable customers to access rebates and concessions in the same way that standard supply customers can. We also support the proposed requirement under the new framework which will require both NEM retailers and off-market retailers to have a hardship program.

However, any changes to the regulatory framework for embedded networks will need to be considered holistically, taking into account effects on customers as well as other stakeholders such as developers, owners' corporations and residential embedded network operators and services providers. This holistic approach will help to ensure that regulation does not present additional barriers to innovation or access to lower tariffs for customers.

In particular, we propose that:

- any regulation should consider the significant upfront financial investment that is made by installers or operators of embedded networks. This includes the cost of equipment, installation costs (which can be greater than [redacted] per lot) and the ongoing costs of maintenance and operation [redacted] over the last 3 years);
- where an incoming regulation could have the effect of making an embedded network commercially unviable, consideration should be given to grandfathering such a provision. This is because, in most cases, investment has been made in existing embedded networks based on certain assumptions, including the laws or regulations applicable at the time and it will prevent disruption to the customers of that embedded network;
- regulations should require that that installers or operators of embedded networks are only able to contribute equipment and funds to developers if they are used to make the development more energy efficient, enhance the customer experience or directly benefit the end user. Direct cash payments to developers not directly supported by assets should not be allowed;
- regulations should mandate the installation of renewable energy infrastructure to ensure that the environmental benefits of embedded networks are recognised, noting however the physical restraints of high-rise buildings or buildings with insufficient usable roof space due to other plant if the installation of minimum levels of renewable assets are to be imposed;
- regulations should hold embedded network operators to minimum delivery standards to ensure consistent service to customers. For example, hot water delivery times from centralised boiler to household should be no longer than 40 seconds; and

- should the regulations change, a transitional period is introduced to allow time for industry to transition their businesses to operate under the new regulations and implement process to ensure compliance.

Taking advantage of current embedded network benefits

Embedded networks already offer significant benefits to customers and the community, which we anticipate will only increase with the support of an appropriate legal framework. We have set out some of these benefits below.

a) Lower tariffs and financial savings

Embedded networks enable communities to reduce the cost of their electricity bills through the gathering of the electricity consumed within a whole complex to a single grid-facing metered point. They can lower electricity costs for tenants by reducing fixed and metering charges by consolidating to one supply point and lower energy charges due to high volume purchase. Customers also enjoy individual bills leading to full transparency of usage.

Additionally, the inclusion of onsite renewable energy in an embedded network can provide an ongoing income stream to owners' corporations who can sell energy back into the grid. This ongoing income stream can lead to a reduction in body corporate fees and common area expenses for tenants and can help subsidise future maintenance for the building.

b) Access to renewable energy and decarbonisation of the electricity grid

Distributed energy resources such a solar photovoltaic (PV) panels and battery storage are increasingly included in Embedded networks meaning such networks have the capacity to enable tenants to access renewable energy and contribute to decarbonisation of the electricity grid.

Appropriate regulatory reform in this area has the capacity to encourage property developers, owners' corporations, and embedded network operations to invest in this type of infrastructure and pass on these benefits to consumers. Any revised regulatory framework must address the opportunity to facilitate the uptake of renewable energy.

c) Centralised hot water plants

Energy Locals is aware that recently there has been a spotlight on hot water services in embedded networks and encourages the introduction of a strong regulatory framework to ensure that customers have access to supply of this essential energy service.

In implementing such legal framework, consideration must be given to the benefits of hot water services in embedded networks. In particular, shared supply pipework and hot water plant results in reduced build cost and saves space as it negates the requirement for individual electronic hot water systems. Individual systems require additional space, including in many cases space for gas meters, and specific airflow requirements in certain circumstances. Additionally, gas pressure available to the building may not be sufficient to run all individual hot water systems at maximum demand.

Centralised hot water plants also provide decarbonisation benefits by reducing the number of plants required to meet to demands of the sites. For example, if a residential building contains 110 individual

lots, those 110 individual hot water systems could be replaced with 12 hot water burners reducing the requirement for gas and emissions produced from the building.

Finally, while individual and bulk hot water systems would be expected to produce similar price outcomes for customers, it is important to note that, most developments do not currently include individual gas meters. This means that, to introduce individual hot water systems, additional gas meters would need to be installed for each unit, which would be unviable for many apartment buildings.

We would like to take this opportunity to thank the Committee for the opportunity to provide this submission. This submission has been authorised by Chief Executive Officer of Energy Locals. I would be pleased to support the Inquiry and look forward to the Committee's report.

Yours faithfully,

[redacted]

Adrian Merrick
Chief Executive Officer
Energy Locals Pty Ltd