

5 August 2021

Manager, Embedded Networks Review  
Energy Sector Reform  
Department of Environment, Land, Water and Planning (Vic)  
PO Box 500  
East Melbourne VIC 8002

Submitted electronically at: [EmbeddedNetworks.Review@delwp.vic.gov.au](mailto:EmbeddedNetworks.Review@delwp.vic.gov.au)

Dear Sir or Madam,

### **Embedded Networks Review – Draft Report.**

The Australian Energy Council (AEC) welcomes the consultation opportunity in the Department of Environment, Land, Water and Planning (DELWP) review of embedded networks.

The AEC is the industry body representing 21 electricity and downstream natural gas businesses operating in the competitive wholesale and retail energy markets. These businesses collectively generate the overwhelming majority of electricity in Australia and sell gas and electricity to over 10 million homes and businesses.

AEC members operate embedded networks and provide energy to customers within embedded networks, or operate in competition with embedded networks. As such, the AEC is uniquely positioned to respond to many of the issues raised in this consultation paper, however, in some circumstances these conflicting positions may mean that a response is unable to be provided. As a matter of principle, the AEC considers that competition, with appropriate protections, will deliver the best outcome for energy consumers in Victoria.

The Panel has balanced meeting the Victorian Government's commitments to changes to embedded networks for new residential servicing whilst enabling the benefits that embedded networks can and do in many cases provide. The AEC commends the Panel for its work in this regard.

The AEC has not responded to all the matters raised in the draft report.

### **The regulatory framework:**

The AEC broadly supports the draft recommendations for a stronger regulatory framework, however the AEC urges the panel to recommend a licensing scheme that is operator based and not site specific.

And as noted in our earlier submission, our concerns remain with the draft recommendations that the approach proposed is inconsistent with the AEMC's proposed reforms. We highlight that customers in Victoria already have the right to churn (choice) in embedded networks, and that the problem is that technical and practical barriers are inhibiting it, not the exemption framework.

In our view the AEMC's framework addresses the detailed requirements to fix both the technical and practical barriers and the exemption framework problems. We are concerned that the consumer outcomes sought in the discrete Victorian draft recommendations will not be delivered in practice.

Of further concern to the AEC is that the potential for future compliance costs being smeared back across the entire retail industry would not meet any regulatory investment test or cost-benefit calculation. As a general principle the costs of regulating embedded networks should be borne by those being regulated, not by other energy providers nor the broader customer base.

### **Consumer protection:**

The AEC and its membership support an improved consumer protection regime for embedded networks, and equivalent consumer protections for both benefit of customers and a level playing field for providers. Consistency of business requirements helps make the delivery of consumer protection at lowest operating costs (that are ultimately borne by consumers) whilst still delivering equivalent outcomes. Consistent with this approach we support the application of concessions via the customer bill. However, the panel should be aware that the concessions framework itself creates problems in its proliferation of concessional rebate types and this makes operational compliance more difficult, especially for smaller providers.

The AEC also suggests that some consumer protections, such as the best offer on bill may not be relevant where embedded networks only have the single offer available.

### **Environmental benefits:**

Given that those embedded networks complying with the new environmental benefits requirements will still be subjected to enabling churn and access to choice, their customers will not be compromising on anything. This requirement also gives green options to customers through the parent/child arrangement who were not be able to access them otherwise. This desire for access to greener choices was highlighted by consumer responses in the draft report. The AEC urges the panel to consider carefully the scope of the green exemption, given that through their access to supplier choice customers may also access greener products.

To this end the green exemptions need to be structured in a way that gives those current and pending investments high certainty within the 24-48 months between the design phase and construction completion of projects with embedded networks. Therefore, the LES approval process also needs to be certain enough to allow for this 2-to-4-year time frame.

Any questions about this submission should be addressed to David Markham by email to [david.markham@energycouncil.com.au](mailto:david.markham@energycouncil.com.au) or by telephone on (03) 9205 3107.

Yours sincerely,

**David Markham**

Networks and Distributed Energy Resources Policy Manager  
Australian Energy Council